

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

PORTUGAL

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

SEPTEMBER 1972

BASIC STATISTICS OF PORTUGAL

THE LAND

Area (thousands sq.km.)	88.9	Major cities, resident population	
Agricultural area (thousands sq.km.)	47.6	in thousands (1.7.1970):	
Forested area (thousands sq.km.)	27.5	Lisbon	794
		Porto	310

THE PEOPLE

Population (1.7.1970, thousands)	8 949	Total labour force (1970, thousands)	3 222
Number of inhabitants per sq.km.	98	Civilian employment (1970, thousands)	3 030
Natural increase		as a percentage of total	
(average 1966-1970, thousands)	96	Agriculture	33.0
Annual rate of increase		Industry	27.2
(average 1965-1970)	1.0	Construction	8.6
Gross emigration		Other	31.2
(average 1966-1971, thousands)	128.2		

PRODUCTION

Gross national product in 1970 (millions of US dollars)	6 421	Gross domestic product at factor cost by origin in 1970 (%):	
Gross national product per head in 1970 (US dollars)	717	Agriculture	15.6
Gross fixed asset formation in 1970:		Industry and construction	45.9
% of GNP	16.9	Services	38.5
per head (US dollars)	121		

THE GOVERNMENT

Public consumption in 1970 (% of GNP)	14.3	Central Government current revenue in 1970 (% of GNP)	17.5
of which: Defence	7.1	% of total General Government current expenditures (in 1970):	
Public investment in 1970:		Central Government	75.6
% of GNP	2.1	Local authorities	3.7
% of total investment	12.6	Social Security	20.7

FOREIGN TRADE*

Exports of goods and services as a % of GNP (1970)	24.1	Imports of goods and services as a % of GNP (1970)	30.2
Main exports as a % of total exports (average 1966-1970, SITC):		Main imports as a % of total imports (average 1966-1970, SITC):	
Food, beverage and tobacco (0, 1)	21.4	Food, beverage and tobacco	12.0
Basic and semi-finished materials (2, 3, 4)	14.4	Basic and semi-finished materials	23.1
Manufactured goods (5, 6, 7, 8)	62.7	Manufactured goods	64.1
of which: Textiles (65)	18.9	of which: Chemicals (5)	9.5
Cork and wood products (63)	5.9	Machinery and transport equipment (7)	29.8

THE CURRENCY

Monetary unit: Escudo

Currency units per US dollar: 27,25

* Mainland Portugal and off-shore islands.

NOTE: An international comparison of certain basic economic and demographic statistics is given in an annex table.

OECD ECONOMIC SURVEYS

PORTUGAL

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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INTRODUCTION

Recent developments of the Portuguese economy have been causing some concern. Although the pace of activity probably slowed down in 1971, inflationary pressures have increased and the rate at which prices are rising is now one of the highest among the OECD countries. At the same time, however, there was a considerable increase in the surplus on Metropolitan Portugal's current external transactions, and the already very substantial reserves of the escudo area were built up further. Emigration slowed down slightly; but large numbers of Portuguese workers continue to leave the country, and although this is contributing to the inflow of foreign exchange, it is not unconnected with the slowness of production growth in some sectors and mounting inflation.

The authorities have been endeavouring for some years now to make more allowance in their economic policies for short term trends and the essential requirements of economic development. While keeping monetary policy geared to expansion they have adopted a selective approach in seeking to promote saving and the growth of private productive investment, and emphasis has been placed in the budget on the development of public sector investment. At the same time, various structural measures have been taken to reduce the obstacles hindering a satisfactory development of the economy. Fairly appreciable difficulties are being encountered in this regard, however, as evidenced by the relatively slow transformation of production structures and the fact that growth remains below its potential. During the first three years of the Plan's execution (1968-1970), the target of an annual average GNP growth of 7 per cent was not achieved, and it is likely that because of the shortfall recorded in 1971 it will be difficult to make up the leeway as planned during the second three-year period (1971-1973).

The recent trend of domestic economic activity is outlined in Part I of the present survey. Part II deals with relations with abroad; it contains a brief analysis of their structure and a description of the trend of foreign trade and the balance of payments in 1971. The broad lines of economic policy are described in Part III, and the conclusions of the survey are set out in the final paragraphs.

I TRENDS IN DOMESTIC ECONOMIC ACTIVITY

Output and demand

The volume growth of GDP picked up sharply in 1970, but probably slowed down somewhat in 1971. According to official estimates, which

are very provisional, the growth rate was of the order of 5 per cent. The overall rate of growth is influenced, however, by marked fluctuations in agricultural output. Agricultural performance was not very satisfactory in 1971, but there was also some slowdown in the non-agricultural sector. On average the growth rate over the last few years has not been particularly high for a country in the process of industrialisation. During the first four years of the Third Plan (1968-1971) it was about 6.5 per cent, compared with a target of 7 per cent.

Owing to inadequacies in the statistics available for gauging the trend of demand, estimates of its main components are much less reliable than those of output by sector. In 1971 the trend of external demand and gross fixed asset formation may have had a restraining influence on total demand. But in spite of the sharp rise in prices, households' real incomes (excluding farm incomes) probably continued to make fairly rapid headway.

With only partial statistics available it is still not possible to assess the trend of industrial activity with sufficient accuracy¹. The flat trend of business over most of 1969 gave way to an upswing towards the end of the year, and output growth, expressed as an annual average, was about 6 per cent. The rate of growth of production seems to have speeded up in 1970. According to the national accounts, value added in industry rose by about 9.5 per cent in real terms. The stronger trend seems to be confirmed by the results of the twice-yearly business surveys carried out by the Corporation of Industry, and by the very brisk acceleration in imports of raw materials and semi-finished goods. These have in fact risen by 19.5 per cent by value (excluding diamond transactions). Besides the speeding-up of activity in manufacturing industries, there was something of a recovery in mining and quarrying. It should be noted that the relative shares of the various sectors in total value added in industry have changed appreciably since the beginning of the 1960s. Those of the traditional sectors (food, textiles and footwear, wood and cork) have tended to decrease, whilst those of the chemicals and petroleum sectors and the capital goods industries have risen fairly sharply.

Little information is available as yet about 1971. The provisional national accounts show a growth of production of about 8.5 per cent, but various indicators would suggest that the rate of expansion was somewhat more moderate. The growth of imports by value slowed down significantly; in volume terms, there may even have been a slight downturn. The budget outturns reveal in addition a fairly marked slowdown in the inflow of receipts from indirect taxation. According to the Corporation of In-

1 The provisional national accounts usually undergo considerable revision, and the final accounts are often not completely reliable. The Portuguese Industrial Association publishes two indices: one annual, the other monthly. The annual index covers a comparatively large field (nearly two thirds of industry), but it has a relatively old base (1958) and is only made known after a very considerable lapse of time, which greatly limits its use for the purpose of studying short-term trends. The monthly index is available sooner but because its coverage is too restricted (less than 50 per cent of industrial activity) and its base year much too old (1953), it gives a very incomplete account of changes in growth rate. The National Statistics Institute has recently extended the field covered by the monthly statistics; also, it is now preparing two new indices with a more recent base. But pending these improvements, the annual index for 1970 is still not available.

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dustry's business surveys, activity during the early part of 1972 continued to expand at approximately the same rate as in 1971. The slowdown recorded in the capital goods industries was probably offset by the firmer trend in the consumer goods and intermediate goods industries.

Table 1 Output by sectors

	Annual percentage change by volume				
	1960-69	1968	1969	1970	1971
Primary sector	1.5	3.3	-3.5	6.0	-2.3
<i>of which: Agriculture</i>		2.6	-2.8	6.0	-5.3
Secondary sector	8.4	10.7	6.1	9.4	7.0
<i>of which: Manufacturing industries</i>	8.6	11.5	5.9	9.4	8.5
Tertiary sector	5.3	6.3	2.1	9.0	6.0
GDP at factor cost	5.7	7.7	2.8	8.5	5.2
Industrial production, annual index	8.2	10.5	10.1	..	..

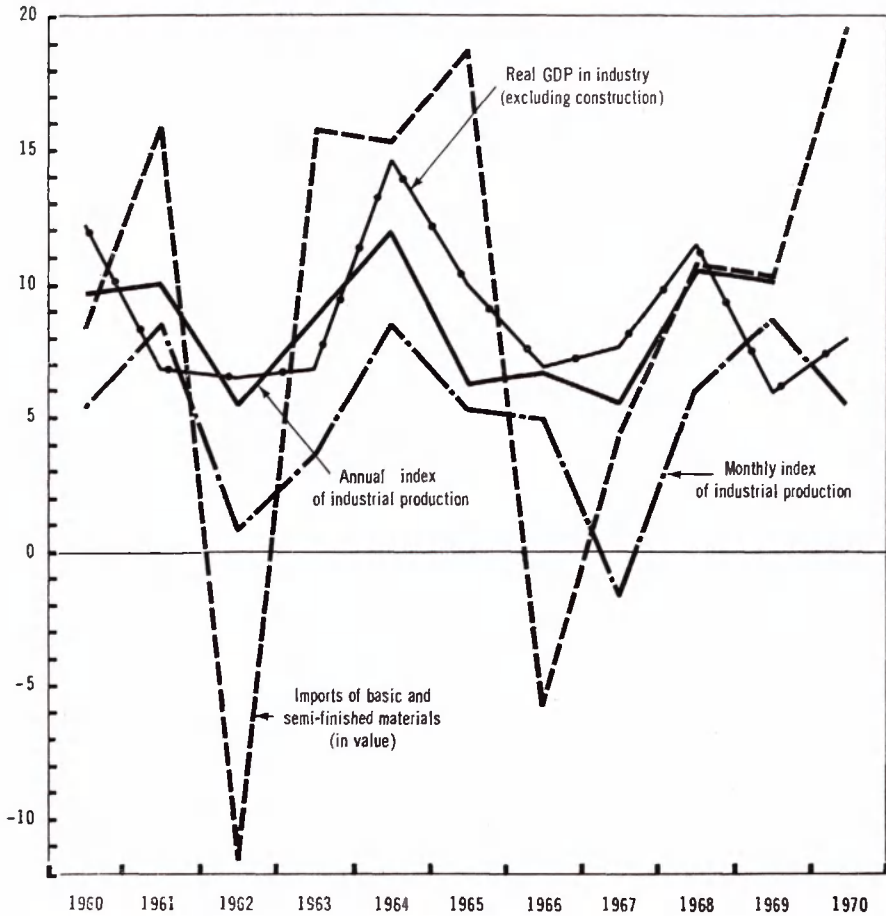
Source: Memorandum submitted to the OECD by the Portuguese authorities.

The expansion of activity in the building and public works sector seems to have continued at a fairly steady pace during 1969 and 1970. According to the national accounts, the value added by this sector rose at an annual rate of over 5 per cent during that period. To judge from the provisional national accounts and from certain partial indicators¹, such as cement output or the number of units built, the trend of activity might have weakened quite appreciably in 1971. Value added by services and the distribution trades rose rapidly in 1970, but the trend in 1971 is likely to have been less firm. Air traffic increased on both the passenger and freight sides. The same was true of road transport and shipping, but rail transport fared less well. In the tourist sector, activity was also significantly more restrained than in 1970. In spite of the comparatively steep increase in international tourist business (see Part II below), the total number of visitors (foreigners and Portuguese nationals) and that of nights spent in hotels and related establishments on the mainland and the adjacent islands rose by no more than 5.5 and 6 per cent respectively.

Agricultural performance was again rather poor in 1971, although bad weather admittedly was partly to blame. Cereal production showed a fairly sizeable increase, but poor results were recorded for maize and especially rice. Wine and oil production were particularly hard hit by the bad weather, as were certain fruit crops. On the whole, to judge from the provisional index of agricultural production published by the National

¹ During the first eleven months of the year, output of hydraulic cement was only 4.7 per cent up on the corresponding period in the previous year, and the number of units built in 1971 was about 4.5 per cent down on 1970.

Diagram 1 Indicators of Industrial Production
 Percentage change from previous year



Sources: Memorandum submitted to the OECD by the Portuguese Authorities; Portuguese Industrial Association; National Statistics Institute; OECD Foreign Trade Statistics series B.

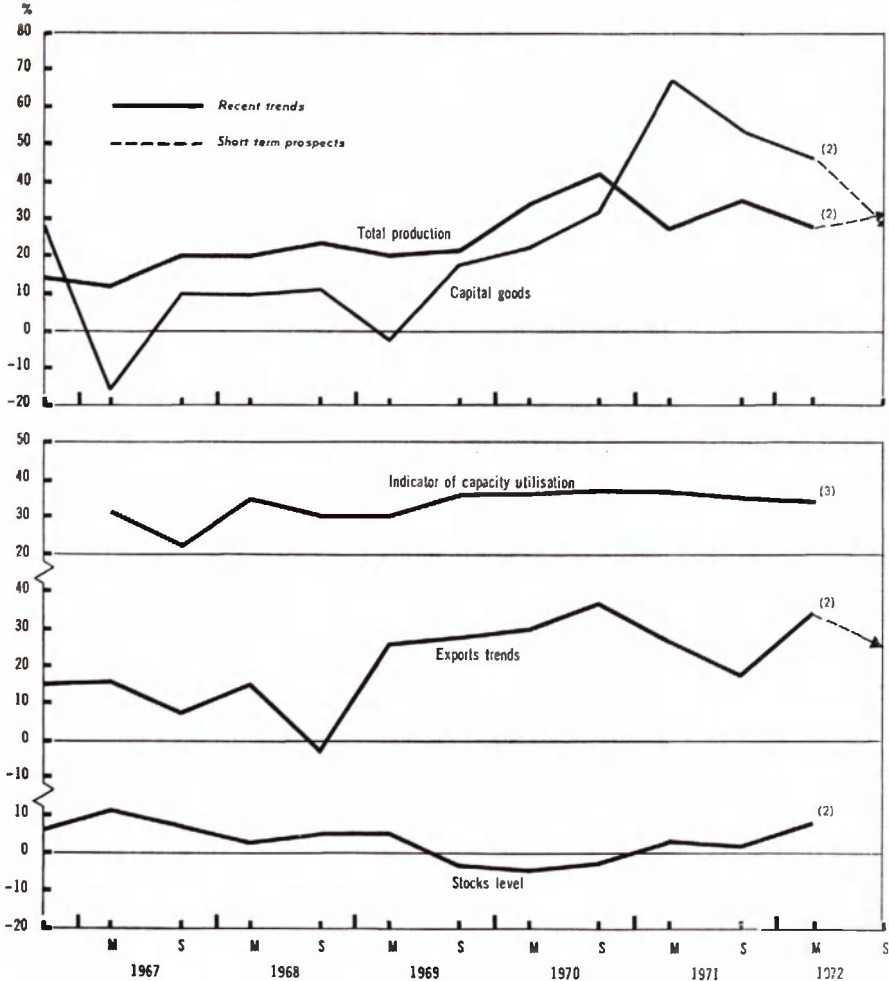
Statistics Institute, the overall level of production barely exceeded that of the previous year. Production of meat, especially pigmeat, increased slightly but is still well short of market requirements. The results for the first nine months of the year would suggest that the fishing season was not very good. Tonnage of fish landed on the mainland was down on the two previous years. There was, however, an appreciable increase in sardine catches.

The reasons for the slow progress in agriculture have already been explained in previous annual reviews. Apart from the limited production potential in certain areas, it should be recalled that on the whole productivity

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is still rather low and production structures largely unsuitable. Most farms still practise conventional methods of cultivation; the degree of mechanisation remains low, the use of fertilizer not very widespread and not always rational, and plant and seed selection inadequate. Infrastructures are deficient or badly used, especially where the irrigation system is concerned.

Diagram 2 Business surveys in Industry¹



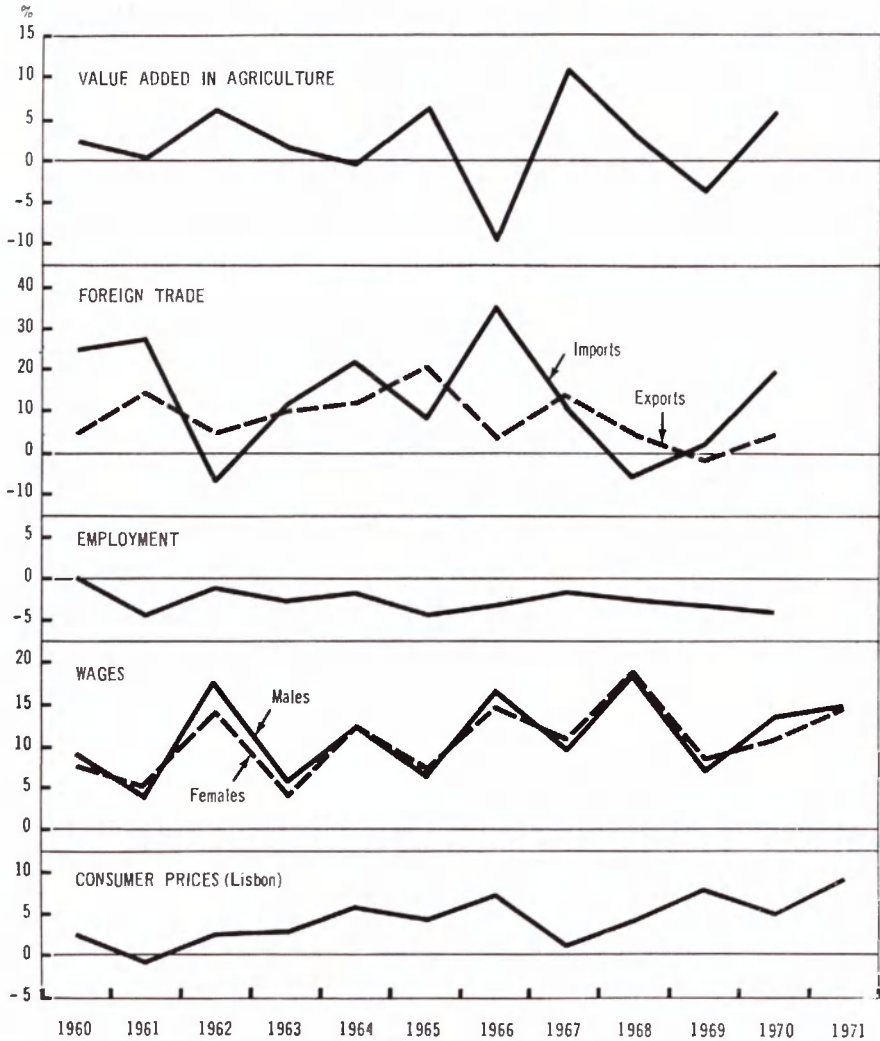
1 The survey covers quarrying, mining and manufacturing industries. It is conducted in March and September of each year and is based on a sample of 1,782 firms of which output, value added, and exports have reached in 1970 respectively 57.2, 24.0 and 12.5 billion escudos. In December of the same year employment by these firms amounted to 245,000 persons.

2 Differences between businessmen's optimistic (increase) and pessimistic (decrease) answers.

3 Percentage of firms unable to expand production.

OECD Economic Surveys

Diagram 3 Agricultural indicators
Percentage change from previous year



Sources: Bank of Portugal Annual Report; OECD Labour Force Statistics; Memorandum submitted to the OECD by the Portuguese Authorities.

The low level of farmers' qualifications is an obstacle to the use of modern farming and cultivation methods, and the small number of training centres allows only very slow progress in putting this situation right. The credit system is inappropriate, particularly in view of the financing difficulties for small and medium-sized holdings. Distribution channels, too, are inadequate. The prices policy of granting large subsidies to cereal farmers

has offered but little incentive to improve production methods, diversify crops or convert marginal land to forestry. Despite the increase in demand, both domestic and foreign, especially for sawmill products and paper pulp, total forestry production has made only fairly slow headway and reforestation of fallow areas has remained comparatively limited. Difficulties have also been apparent for some years now in the fishing sector. Foreign competition has become keener, and the fact that shoals are moving away from the coastal waters means that more distant fishing grounds have to be prospected. But the Portuguese fleet is ill-equipped for deep-sea fishing, both in terms of the number of trawlers available and with regard to refrigerating equipment and harbour facilities. Shipowners are also having difficulty in recruiting crews for deep-sea fishing.

Modernisation of the agricultural sector is becoming all the more imperative in that emigration, the duration of military service and the accelerated movement of the rural population to other sectors have caused a shortage of labour and a rapid growth of wages, thus depriving a large part of agricultural production of its economic base¹. To adjust supply to domestic demand which is both expanding and diversifying, maintain exports at a satisfactory level and raise farm incomes substantially, it is necessary to boost productivity, make lowyield cereal-growing areas over to livestock farming and forestry, and, through processing, increase the value of agricultural output. Within the broad lines of the Third Plan emphasis has been placed on the need for a rapid transformation of the agricultural sector. Steps have already been taken to promote the modernisation of production methods, increase the areas given over to fruit and vegetable-growing, pastureland and forestry, and improve distribution channels. Some encouraging results have been obtained, notably with regard to meat production, but the authorities recognise that there are serious difficulties in achieving the overall targets assigned to agriculture. Other measures are therefore being studied: these include reorganisation of the farm credit system and revision of the legal arrangements pertaining to tenant farming, share farming and "settlements".

Of all the national accounting aggregates, households' consumption is probably the most inaccurate. Obtained by difference, it incorporates all the estimating errors of the production account and of the other components of demand². For instance, for the year 1969 the growth of households' consumption, which was put at nearly 7.5 per cent in the provisional accounts, was brought down to 0.6 per cent in the revised accounts. It is probable that in conjunction with a more favourable trend in incomes and prices, spending by private individuals made more headway in 1970³. The upward movement is likely to have continued at much the same rate in

1 In some regions, notably Alentejo, where the large farms are dependent on employed labour, the high level of wages in relation to productivity has caused a reduction in farmed area. It does however tend to favour increased mechanisation.

2 With the findings of the survey on family budgets carried out by the National Statistics Institute in 1968-1969, it should be possible in future to assess the trend of private consumption directly.

3 The upward movement of prices slowed somewhat in 1970. The growth of wages became more marked in the private sector and large increases were granted to employees of the State.

1971. Real wages in the private sector went on rising rapidly. Incomes of private entrepreneurs and self-employed persons may, however, have been affected by the probable slowdown in industrial and business activity and the poor performance in the agricultural sector. But the net inflow of private transfers from abroad increased by more than 30 per cent.

It is reasonable to suppose that the firmer trend in productive investment, which began in 1969, continued in 1970. Net imports of capital goods, excluding transport equipment, were up by more than 30 per cent and, according to the business surveys, activity accelerated in the capital goods industries. According to the information available for 1971, gross fixed asset formation continued to increase, but more slowly than the previous year. Net imports of capital goods (machinery, electrical apparatus and equipment) were a good deal more sluggish than in 1970. In real terms, the slowdown in their rate of increase is likely to have been all the more marked in that import prices rose steeply. Net imports of transport equipment, excluding private motor cars, increased sharply however. Performance in the housing construction sector has been poor. The

Table 2 Gross domestic fixed investment

	At current prices escudos million	As a percentage of the total	Annual percentage change, volume					
			1970	1960-70	1960-65	1965-70	1969	1970	1971^{1}
TOTAL INVESTMENT	31 012	100 %	6.8	7.2	6.3	9.0	10.6	0.9
By sector								
Private enterprises	24 639	79.4	..	..	6.3	7.9	12.3	-0.2
Public enterprises	2 508	8.1	..	..	8.3	16.5	13.7	10.6
Government	3 865	12.5	..	..	4.8	11.2	-0.6	1.8
By product								
Dwellings	4 441	14.3	4.7	10.5	-0.6	17.0	1.1	-2.3
Other construction	12 353	39.8	..	..	2.9	-4.2	16.5	1.9
Machinery and equipment	14 218	45.9	..	..	13.6	19.7	8.9	1.0
By branch								
Agriculture, forestry and fishing	2 131	6.9	3.8	4.2	3.3	4.2	-8.7	-1.7
Industry ²	13 290	42.8	6.7	5.5	7.9	9.8	16.0	9.1
of which:								
Manufacturing	9 732	31.4	..	..	..	10.1	19.7	11.6
Other branches	15 591	50.3	7.3	9.2	5.4	9.1	9.2	-5.7

1 Provisional figures.

2 Mining and quarrying, manufacturing, construction, electricity, gas, water.

Source: Memorandum submitted to the OECD by the Portuguese authorities.

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provisional national accounts show a decline in the value added in this sector of about 4.5 per cent. Compared with the previous year, output of hydraulic cement was only slightly up and the number of housing units built and their habitable area were down by 4 per cent and 12.8 per cent respectively.

Employment and emigration

According to the quarterly surveys carried out by the Manpower Development Fund, numbers employed in the non-agricultural sectors rose significantly faster in 1971 than in the two previous years. This was chiefly due to an exceptional growth in the number of persons employed in the service sector. The level of employment remained stationary, however, in the processing industries and continued to edge downwards in mining and quarrying. In construction, the sharp downturn in 1970 was followed by a recovery, but the number of persons employed in this sector was still less than in 1969. No information is available about the trend in work hours, but the stability of industrial employment observed over the last three years suggests that productivity gains in industry were comparatively large.

With the statistics available it is not possible to make any satisfactory assessment of the labour market situation¹. The gradual expansion of the activities of the national employment service has resulted in a very rapid increase in the number of job vacancies and applications registered over the last few years, as well as in the number of applicants successfully placed. Employment vacancies have tended to increase a good deal more rapidly than applications (in 1971 they totalled nearly 85 per cent of the number of applications), which is probably due in part to the considerable incidence of emigration but also to better registration of vacancies by the Employment Services. These statistics also reveal important disequilibria, in terms of both area and skill requirements². Is true that the divergencies of labour supply and demand as between regions are due in part to the fact that there is a greater concentration of labour exchanges and a higher level of placement activities in some areas than in others. The labour shortages observed in some sectors, notably textiles, clothing and civilian construction, appear to be due much more to an increasing scarcity of manpower caused by emigration than to a rapid growth of requirements. The undertakings hardest hit by these shortages are the small and medium-sized businesses, which because of their low productivity are unable to pay sufficiently attractive wages. But the shortage of skilled labour is also affecting large enterprises.

Emigration probably decreased somewhat in 1971. According to provisional statistics, the total number of emigrants was approximately

1 The scale and trend of unemployment are not known exactly. The Manpower Development Fund publishes data on collective dismissals (technological unemployment), which non-agricultural enterprises employing more than ten workers are legally required to notify to it. These statistics are not meaningful in themselves, however. Moreover, their consistency has been affected by the legislative changes introduced in 1969.

2 In 1971 the proportion of jobs filled was still comparatively small: about 25 per cent for applications and 30 per cent for vacancies. 75.4 per cent of applications and 76.7 per cent of vacancies came from the coastal sub-regions and from Algarve.

Table 3 Estimates of emigration, by country of destination 1966-1971

	1966	1967	1968	1969	1970	1971
Total	106 400	85 688	92 678	153 546	180 065	151 197
of which: Workers in active age groups ¹	61 951	43 741	39 347	97 785	110 466	
NORTH AMERICA	20 318	18 496	18 075	20 119	16 616	16 000
United States	13 357	11 516	10 841	13 111	9 726	8 839
Canada	6 795	6 615	6 833	6 502	6 529	6 983
SOUTH AMERICA	7 641	7 618	7 395	5 728	4 723	4 759
Brazil	2 607	3 271	3 512	2 537	1 669	1 200
Venezuela	4 697	4 118	3 751	3 044	2 927	3 500
EUROPE	73 134	57 104	65 664	126 163	157 406	129 235
France ²	59 580	52 601	58 741	110 615	135 667	110 820
Germany	9 686	2 042	4 886	13 279	19 775	16 997
Other European countries	3 868	2 461	2 037	2 269	1 964	1 418
Other areas	5 307	2 470	1 544	1 536	1 320	1 203

1 The figures for workers in active age groups who emigrated to France, which are included in this total, are not fully comparable with those for other countries since they refer to the workers who have passed the French border and not only to workers who emigrated legally.

2 "Foreign workers brought into the country and given employment" plus family immigration (French Ministry of Labour figures).

Source: Memorandum submitted to the OECD by the Portuguese authorities.

150 000 or some 15 per cent less than in the previous year. This decrease is due chiefly to the fact that fewer persons emigrated to France. It is difficult to say, however, whether this reflects a durable downward trend or the worsening of labour market conditions in the host countries, or even the deterrent effect of the important bilateral agreement on manpower concluded between the French and Portuguese authorities¹.

The massive growth of emigration during the 1960s was accompanied by a radical change of direction in migratory flows. The traditional flow to the Latin American countries gradually dried up whilst emigration to the

1 A first agreement on immigration, recruitment and placement of Portuguese workers in France was signed on 31 st December, 1963. Because of the very strict conditions laid down by the Portuguese authorities for the issue of passports, clandestine emigration to France has reached considerable proportions in recent years. According to estimates made by the National Secretariat for Emigration, it amounted to over 100,000 persons in 1970 and 1971. During that period the French authorities systematically regularised the position of immigrant workers. The new agreement signed in July 1971 posed the principle of organised emigration. Under the terms of a « protocole », the number of Portuguese workers who might come to France to take up employment was set at 65,000 per year. Selection of applicants by occupational category is carried out in Portugal by the National Secretariat for Emigration, set up in 1969. This is done against a set of data supplied by the French authorities which includes exact particulars of the number of jobs open, their nature and pay conditions. The French Government has undertaken to intensify its social welfare activities in favour of Portuguese workers, notably where housing is concerned, and to encourage the admission of greater numbers of these workers to vocational training centres.

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industrialised countries of Europe, mainly France and to a lesser degree Germany, became predominant. In 1970 these European countries took in more than 87 per cent of new emigrants, whereas the Latin American countries accounted for less than 3 per cent. The geographical distribution of emigrants, insofar as it can be estimated with reasonable accuracy, also reveals a change in the regional location of the main sources. In the north, the traditional flow of emigrants from the three coastal districts of Oporto, Braga and Aveira, and from the central district of Viseu, has also extended to the inland areas close to the frontier which offer more chance of clandestine crossings. In the southern part of the country emigration has also tended to expand, where before it used to be on a small scale. The migratory flow has quickened particularly in the Faro and Beja districts. Over the same period, there was also a considerable growth in emigration from the Lisbon area and from the districts around Sétubal.

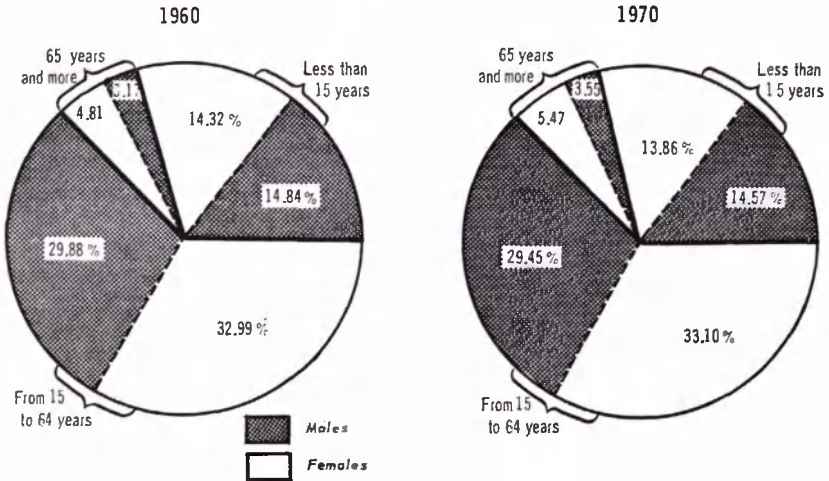
Emigration, both registered and clandestine, draws primarily from the younger segments of the population (18 to 35 years of age). Until about the middle of the last decade, emigration essentially involved rural workers who were victims of local underemployment, but since then it has gradually extended to industrial workers and skilled manpower. Migration balances are not known with any accuracy, since there are no reliable statistics on returns¹. According to certain estimates², the number of voluntary permanent returns is extremely small, and the economic slowdowns recorded in host countries gave rise to temporary returns only (German recession of 1967-1968 and the economic disturbances in France caused by the events of May-June 1968). It is therefore highly probable that during the last few years net emigration has outstripped the natural growth of the population. According to the provisional results of the latest census made in 1970, the total population showed only a very small increase since 1960, the date of the previous census; it is even estimated to have declined by some 175 000 persons from 1965 to 1970 (nearly 100 000 of whom were males aged from 15 to 64 years). The increase in the proportion of the population aged over 65, from 8 per cent in 1960 to 9 per cent in 1970, was accompanied by a decrease in the proportion of persons aged under 15 (from 29.2 to 28.6 per cent). It is true that because of statistical difficulties, especially in regard to the definition of resident status, these figures, which moreover are provisional, should be interpreted with caution. The fact remains, however, that the population of certain areas has decreased considerably.

On average, emigration during these last three years accounted for nearly 1.7 per cent of the total population, one of the highest percentages for the labour-supplying OECD countries. The proportion is even higher in terms of the labour force (about 3 per cent). So heavy a migrant flow admittedly has its positive aspects, as can be seen from the rapid growth of emigrant workers' remittances. Of virtually negligible size in the

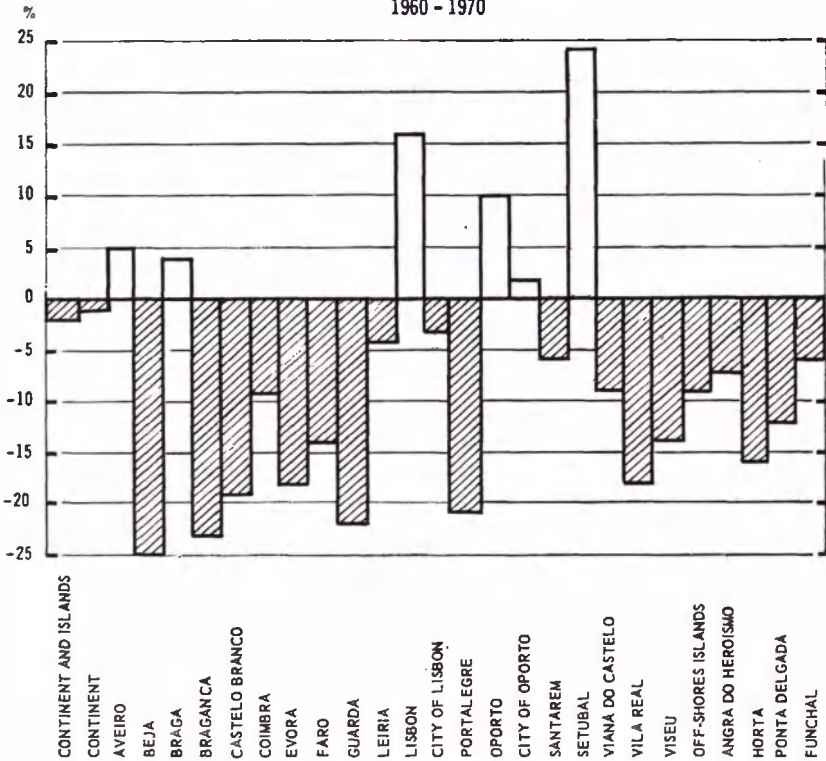
1 The only relatively reliable figures are for permanent returns from outside Europe made by sea.

2 Unpublished report by M. Poinard on returns to Portugal, Working Party on Migration, Manpower and Social Affairs Directorate, OECD, 1970.

Diagram 4 Demographic trends
 Per cent distribution of total population by age groups



Percentage change in resident population by district
 1960 - 1970



Source : Memorandum submitted to the OECD by the Portuguese Authorities and Diaro de Noticias.

Portugal

Table 4 Population growth

	1970		1960-70	1960-65	1965-70
	In thousands	% of total population			
			<i>Average annual percentage change</i>		
Males total	4 257.5	47.6	0	0.4	-0.4
— under 15 years	1 304.1	14.6	-0.1	0.4	-0.6
— from 15 to 64 years	2 635.5	29.4	-0.2	0.4	-0.5
— 65 years and more	317.9	3.6	1.3	1.1	1.3
Females total	4 691.4	52.4	0.1	0.5	-0.3
— under 15 years	1 240.3	13.9	-0.2	0.3	-0.7
— from 15 to 64 years	2 961.8	33.1	0.1	0.6	-0.3
— 65 years and more	489.3	5.5	1.4	1.2	1.3
			<i>Annual average thousands</i>		
Total population	8 948.9	100	9 033.8	9 022.8	9 059.8
Excess of births	79.9	0.9	107.8	118.0	99.1
Net migration and statistical adjustment	-175.8	-1.96	-98.2	-63.9	-137.8

Source: 1960 and 1970 census and official estimates.

early 1960s, they amounted to nearly \$ 460 million in 1971¹, which was about 45 per cent more than the amount of foreign exchange earnings from international tourism, and equivalent to nearly 50 per cent of the value of total exports of goods in the same year or about 8 per cent of national income. Emigration has also provided a safety valve for very large-scale "open" or "disguised" unemployment. But in the long run, apart from the inevitable social uprooting which emigrant workers have to suffer, so heavy a drain on manpower resources tends to hinder economic development and even to endanger the renewal of the Portuguese population. It also tends to increase regional disparities by putting the more backward areas at a disadvantage. A policy of accelerated economic development backed up by deep-reaching structural reforms would be needed to bring about a substantial reduction in the flow of outward migration.

Prices and wages

The relatively moderate upward trend in prices recorded up to 1965 has clearly speeded up in subsequent years. Whereas the average annual

1 It is estimated that emigrants' remittances accounted for approximately 65 per cent of private transfers as recorded in the balance-of-payments statistics, these transfers representing about 12 per cent of national income.

rise in consumer prices during the first half of the 1960s did not exceed 2.5 per cent, the rate of increase during the period 1966-1971 was in the region of 6.7 per cent and has tended to accelerate. The worsening of the situation during the early months of 1972 led the Government to introduce a number of measures designed to curb the rise in prices. The Secretariat of State for Trade was, in particular, given powers to regulate the prices of various goods and services, to suspend restrictions on the free circulation of goods, and to stabilize profit margins. Other measures, intended to stem speculation, have also been considered.

Table 5 Trends in prices, 1960-1971

	1960-65	1965-70	1969	1970	1971
GNP implicit price deflator	1.7	4.5	5.9	3.6	3.9
Consumer prices:					
Six main towns ²	2.4	6.1	9.2	5.4	8.1 ¹
Lisbon	2.8	6.4	8.8	6.4	10.6 ¹
Food	2.8	5.0	8.1	5.0	8.8
Non-food	2.8	7.6	9.6	7.9	11.4
Clothing and footwear	0.5	2.9	0.3	2.0	6.1
Rents	5.3	13.6	19.5	7.2	19.1
Miscellaneous services	2.5	6.8	8.3	11.5	8.3
Wholesale prices, Lisbon	1.2	3.7	3.6	3.4	2.0
Food	1.7	3.0	6.2	2.2	5.0
Manufactured goods	1.1	2.9	0.8	—	3.1
Index of unit values					
Imports	1.1	-0.7	-1.8	2.8	12.7
Exports	0.9	3.6	2.9	7.3	7.3

1 Adjusted for the new method of recording expenditure on rents.

2 Calculated by the Secretariat by weighting the individual indices by the population of the six towns (Lisbon, Oporto, Coimbra, Evora, Viseu, Faro).

Sources: National Statistics Institute, Monthly Bulletin of Statistics; Bank of Portugal Annual Reports and Memorandum submitted to the OECD by the Portuguese authorities.

There is no doubt that inflationary pressure is mounting, though statistical difficulties make it impossible to measure the actual rate at which prices are rising with any accuracy¹. It is extremely difficult to assess the trend of wholesale prices. According to the index for Lisbon, which is the only available indicator, they rose by 2 per cent in 1971. Wholesale

1 The inadequacies and shortcomings of the various indices available are well known. Price deflators based on the national accounts are unreliable. There is, moreover, no general index for consumer prices. The National Statistics Institute does publish a retail price index for each of the six main towns, but the bases of most of these indices are too old, their coverage is relatively limited and the weights used no longer reflect the real structure of household consumption. Nor is there a general index for wholesale prices; the one index available only shows the trend of a small number of products in the Lisbon area, and its base is very old (1948). The National Statistics Institute is however currently preparing new indices for consumer and wholesale prices.

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prices of food and manufactured goods rose more rapidly, however. According to the weighted index for the six main towns calculated by the Secretariat, retail prices have risen by more than 10 per cent. It is true that the extent of the increase has been exaggerated as a result of various statistical distortions, the most important of which stems from the new treatment of rental payment. Yet, even when allowance is made for this factor, the overall increase is still more than 8 per cent, i.e. one of the highest rates in OECD countries, and almost double the average rate for the 1960s. The faster upward movement of prices was general, and of the six main towns for which separate indices are published, only Oporto recorded an increase of less than 10 per cent. Food prices rose very sharply, particularly those of fresh or canned fish, which is one of the basic items of food consumption. Clothing and footwear prices also rose appreciably. Price advances seem to have accelerated at the beginning of 1972. During the first four months of the year, the consumer price index of Lisbon rose by 13.8 per cent over the corresponding period of the previous year.

The faster rate of inflation has been accompanied by a significant change in relative prices. Whereas until 1965 the relative prices of the various goods and services tended to remain fairly stable, subsequently the gap between the prices of services and average price levels widened, largely as a result of the extremely sharp rise in rents¹. Food prices continued to follow the average overall upward trend, whereas manufactured goods rose less rapidly. Prices of fuel and electricity, probably influenced by Government decisions, rose at a comparatively moderate rate. In recent years, the spread of prices has also tended to increase in the six main towns. According to the official indices, consumer prices in the Lisbon area have tended to rise particularly fast. However, bearing in mind the differences in coverage and bases of the various indices, these results should be interpreted with great caution.

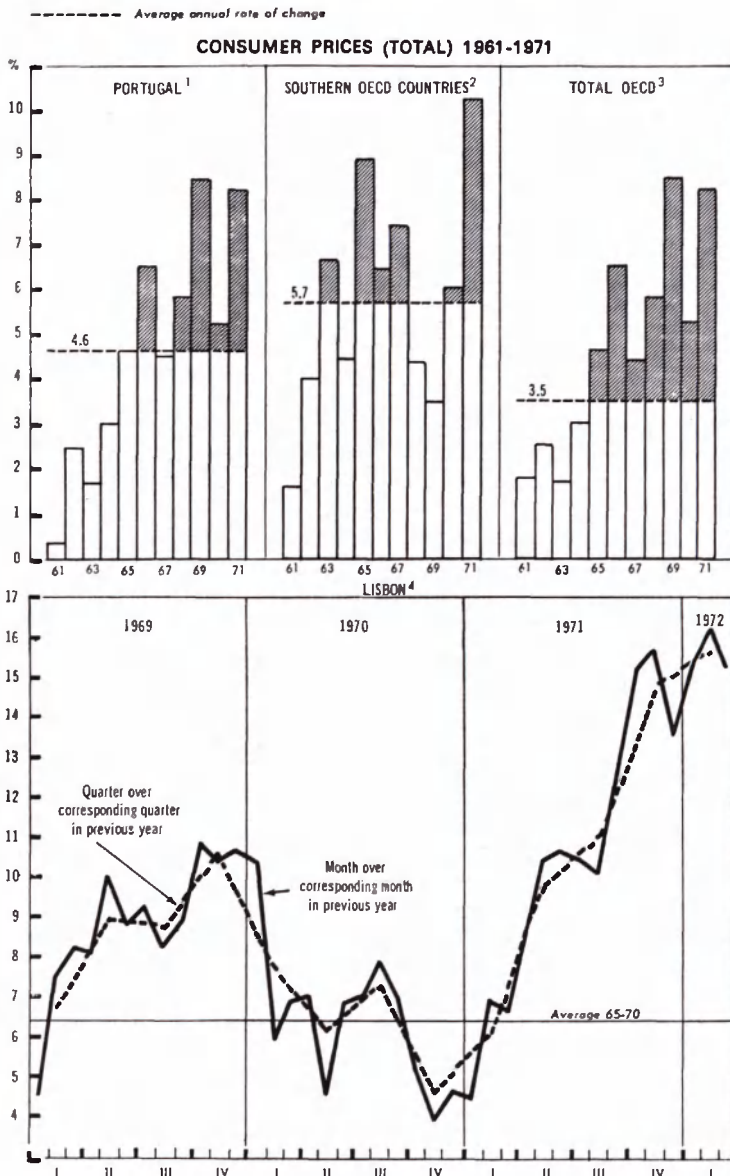
Wage increases in money terms have also tended to accelerate appreciably in recent years, thereby following a trend parallel to that of prices. The biggest increases have been in the wages of agricultural workers, both male and female, which rose by almost 15 per cent in 1971. It is true that in absolute terms these wages are still relatively low; female wages are less than 50 escudos per day, and are almost 50 per cent lower than those earned by men. There is no up-to-date information on average earnings² in the non-agricultural sector, but judging from a number of partial indicators such as the Lisbon and Oporto indices for wages paid in industry and transport, the clear trend towards rapid increases in earnings observed for some years now continued in 1971.

1 It is likely, however, that the indices for Lisbon and Oporto overestimate the real increase in rents, since they only take into account the trend of rents fixed under new leases, and exclude older rents which on average have risen far less. In 1971, moreover, the new method of calculation used to record expenditure on housing resulted in considerable statistical distortions of approximately 8 per cent in Lisbon, 12.9 per cent in Oporto and 7.3 per cent in Coimbra.

2 The data available cover the trend of the average annual earnings of employed persons up to 1970 only.

OECD Economic Surveys

Diagram 5 Consumer Prices
Average annual percentage change



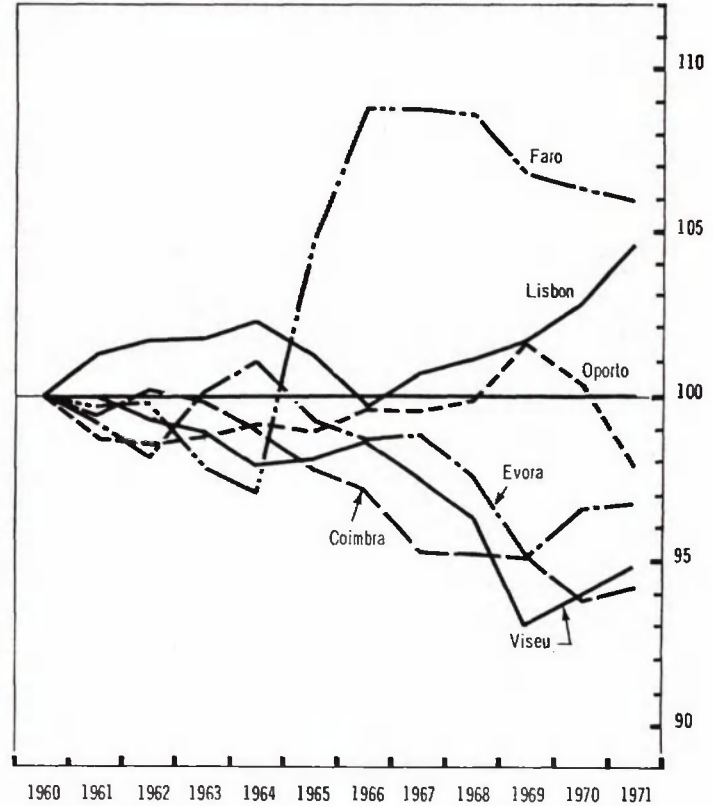
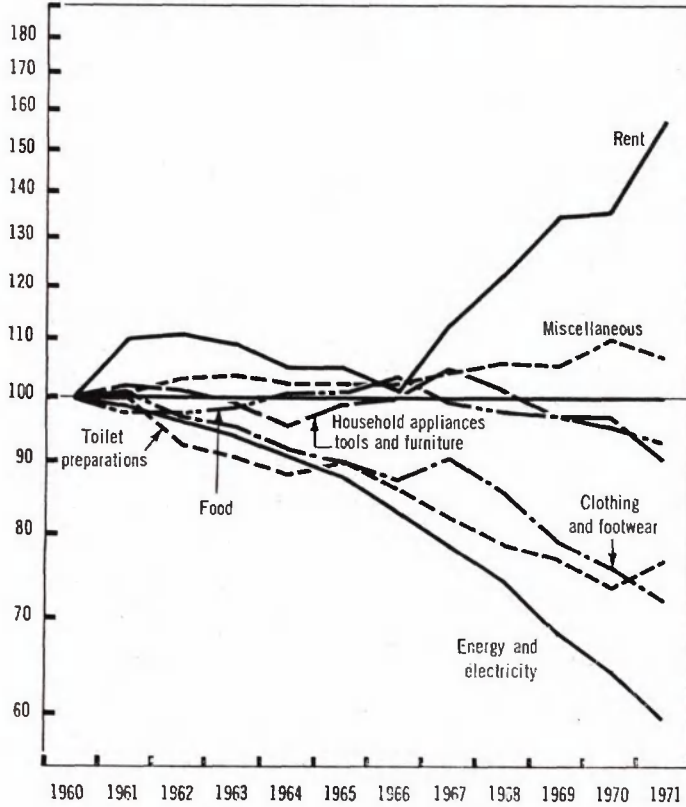
- 1 Weighted index of the six main towns.
 - 2 Spain, Greece, Portugal, Turkey.
 - 3 Weighted by the value of private consumption at current 1969 prices.
 - 4 Adjusted for the new method of recording expenditure on rents as of 1971.
- Sources : OECD, Main Economic Indicators and Bank of Portugal Annual Reports.

Diagram 6 Relative consumer prices

BY GROUPS OF GOODS AND SERVICES
Lisbon index

SIX MAIN TOWNS

Semi-log. scale



Source: Bank of Portugal Annual Reports.

OECD Economic Surveys

Table 6 Trends in wages

	Annual percentage change				
	1960-65	1965-70	1969	1970	1971
Earnings of workers and employees in manufacturing	..	..	11.8	15.4	..
Wages in industry and transport					
Lisbon	5.6 ¹	9.0	11.4	11.8	10.8
Oporto	6.4	10.4	9.9	10.4	13.5
Wages in agriculture					
Males	9.1	11.8	7.6	13.2	14.8
Females	9.1	11.7	8.8	10.9	14.8

¹ 1961-1965.

Source : Bank of Portugal Annual Reports and Memorandum submitted to the OECD by the Portuguese authorities.

The reasons for this acceleration in the wage-price spiral during recent years are relatively complex. External factors have probably played some part in the increase in inflationary pressure. According to the unit value indices published by the Bank of Portugal, prices of imported goods rose by 12.5 per cent in 1971. Although these figures should be interpreted with caution, there can be no doubt that prices of imports both of consumer and capital goods have increased significantly. Basically, however, the faster upward movement of prices is due to internal influences, the chief cause apparently being the interaction of short-term and structural factors. The rapid advance of food prices is a reflection of the fact that supply is not properly adjusted to demand, this being due to the slowness with which Portuguese agriculture is adjusting to the changing patterns of food consumption brought about by improved standard of living. The pressures which have thus become apparent in some markets have been aggravated by inadequate distribution channels. The rise in prices of manufactured goods certainly reflects an increase in unit labour costs, but also supply bottlenecks mainly in sectors in which capital-widening investments have been very weak in recent years, and, in some cases, speculative behaviour. Although it is difficult to say that overall pressure of demand is excessive, it seems likely that the growth and diversification of demand caused by the rise in incomes both inside and outside the country (emigrants' remittances, tourist receipts) has resulted in pressures in some sectors.

The particularly rapid increase in wages is probably due to some extent to attempts by wage-earners to make up for the steep rise in prices; it also reflects the influence of labour shortages caused by the length of military service, inter-sectoral employment shifts and the continuation of a high level of emigration. In some sectors the pressures generated in the labour market lead to wage increases higher than productivity gains. It is true that these circumstances can encourage enterprises to make renew-

ed attempts at rationalisation, thereby leading to greater productive efficiency, but the effects of these measures are always slow to be felt. In the agricultural sector, labour supply is becoming scarce, while demand remains at a high level because farms are insufficiently mechanised and their structures inadequate. Generally speaking, in the short run the indirect influence exerted by the trend of wages in highly industrialised countries can only increase inflationary pressure in Portugal and encourage an allocation of resources contrary to the needs of economic development. Without a reversal of migratory flows, it is unlikely that there will be a significant change in this tendency. The sectoral pressures caused by the manpower shortage are therefore likely to persist together with a high level of disguised unemployment, particularly in some areas.

II FOREIGN TRADE AND BALANCE OF PAYMENTS

During the last decade the pattern of Portugal's trade underwent considerable changes, the chief of which was a marked diversification of exports, the predominance of Portuguese trade with the other EFTA countries and the relative decline in trade with the EEC countries. The structure of Metropolitan Portugal's balance of payments also altered fairly significantly: the trade deficit widened considerably but owing to the growing surplus on invisibles, the deficit on current account gave way to a surplus as from 1965. The main trends recorded during previous years became more pronounced in 1971, thus considerably strengthening the already very strong external monetary position of the escudo area. Given the geographical pattern of Portugal's foreign trade, the agreement on general realignment of parities, concluded in Washington last December, and the decisions taken by the Portuguese authorities resulted in a very small effective devaluation of the escudo by comparison with the situation prior to May 1971 (about 1 to 2 per cent). International tourism is now assuming considerable importance, both with regard to the balance of payments and its multiplier effect on other sectors; a few paragraphs have therefore been devoted to developments in this area.

Pattern of relations with abroad

Foreign trade is a major item of Portugal's economic activity. During the period 1960-1970 imports of goods (c.i.f.) increased relatively fast on average, by 11.7 per cent per year; in 1970 they represented 28.6 per cent of GNP. The pattern of purchases remained rather stable. The relative shares of the main commodity groups did not change very much, although the proportion of imports of equipment goods tended to increase. Membership of the European Free Trade Association did not bring about any very marked shift in sources of supply abroad. Of all the EFTA countries Portugal is the one whose share of purchases from other members rose least over the period. This can probably be explained by the fact

Table 7 Imports by commodity group

	\$ million	Distribution (per cent)		Average annual percentage change			Annual percentage change		
		1970	1960-61	1969-70	1960-70	1960-65	1965-70	1969	1970	1971
Food and agricultural products	226	14.9	14.8	11.4	14.8	7.9	4.8	12.8	29.5
Mineral products	158	11.0	9.7	10.0	7.1	13.0	10.7	29.9	9.0
Common metals and related goods	170	13.9	10.2	10.2	9.1	11.2	19.3	37.1	6.2
Fine pearls and precious metals	86	0.4	5.1	174.5	324.6	24.8	5.1	42.3	-8.1
Textiles and textile goods	173	13.7	11.4	9.4	14.2	4.7	2.0	10.9	9.3
Plastic materials	59	3.2	3.8	12.4	10.9	13.9	25.0	15.9	12.5
Chemicals	124	7.9	8.0	10.9	8.3	13.4	16.9	18.8	12.0
Electrical machinery, appliances and equipment	305	16.6	18.7	12.7	11.4	14.0	8.9	30.8	17.7
Transport equipment	166	11.4	10.9	17.2	19.6	14.7	9.8	12.3	28.3
Photographic and optical instruments	32	1.9	2.0	13.8	10.5	17.0	10.2	27.3	30.0
Other imports	83	5.0	5.4	12.7	10.2	15.1	18.4	15.3	8.5
Total	1 582	100	100	11.7	11.8	11.5	10.1	22.1	15.2
Total excluding imports of fine pearls and precious metals	1 496			11.1	11.1	11.0	10.3	21.1	16.5

Source: National Statistics Institute, Statistical Yearbooks and Monthly Bulletin of Statistics.

Table 8 Exports by commodity group

	\$ million	Exports by commodity group		Average annual percentage increase			Annual percentage change		
		1970	1960-61	1969-70	1960-70	1960-65	1965-70	1969	1970	1971
Food and agricultural goods	198	28.5	21.5	8.6	11.7	5.5	-0.1	4.9	3.6
<i>of which:</i> Fish preparations and canned fish	37	11.9	4.1	0.6	6.7	-5.4	-10.6	-1.0	-5.7
Vegetable preparations	36	1.1	3.8	31.3	46.2	16.4	-10.7	10.6	-7.6
Wine	66	7.9	7.0	10.3	11.2	9.4	2.1	10.0	7.2
Metals and mineral products	86	10.3	8.4	9.9	7.8	12.0	10.8	28.8	-3.7
Fine pearls and precious metals	48	0	6.0	725.5	1 448.3	8.1	50.6	-21.1	40.1
Textiles and textile goods	250	21.2	26.9	14.1	16.2	12.1	9.9	6.5	15.7
Wood and cork	95	21.2	10.0	3.1	3.4	2.8	4.0	11.2	3.3
<i>of which:</i> Cork and cork products	58	19.1	6.4	1.3	2.1	0.8	4.9	1.7	5.2
Chemicals	66	7.5	6.4	10.3	9.1	11.6	10.7	34.7	7.4
Paper, etc.	58	2.8	5.9	21.6	16.1	27.0	40.9	20.7	-2.4
<i>of which:</i> Paper pulp	47	1.6	4.8	27.0	21.6	32.5	45.2	22.0	-2.7
Electrical machinery, appliances and equipment and transport equipment	79	3.0	7.7	24.3	16.7	31.8	36.8	31.9	30.1
Other exports	70	5.5	7.2	14.6	17.1	12.1	8.6	16.4	14.1
Total	950	100	100	11.4	12.2	10.5	11.9	11.3	10.8
Total excluding exports of fine pearls and precious metals	902			10.8	10.9	10.7	9.8	13.8	9.3

Source: National Statistics Institute, Statistical Yearbooks and annex to the Monthly Bulletin of Statistics.

that the tariff preferences granted to EFTA countries have been relatively limited¹. Exports (f.o.b.) showed a comparatively firm rate of increase over the period (11.4 per cent) and in 1970 likewise represented a significant proportion of GNP (16.5 per cent). However, their pattern underwent much more pronounced changes than did that of imports. The proportion of manufactured products showed a tendency to increase, whereas there was a relative decline in shipments of agricultural products; yet despite progress in diversification, Portuguese exports still centre too much on products with a relatively low demand elasticity. The countries of the free trade area have taken an increasing proportion of sales at the expense of the EEC members. In 1970 their purchases accounted for nearly one-third of total Portuguese exports (not including diamond sales); in fact, in some categories, such as textiles, their share was significantly larger (over 53 per cent). On the other hand, the share attributable to the overseas territories, which are by tradition protected markets, showed a tendency to decline.

Table 9 Trade shares as between EFTA countries 1960-61 - 1969-70

	Trade with EFTA as a percentage of total trade					
	Imports			Exports		
	1960-61	1969-70	Δ	1960-61	1969-70	Δ
Portugal ¹	22.0	24.0	2.0	21.1	32.0	10.9
United Kingdom	12.2	15.4	3.2	12.3	15.4	3.1
Denmark	38.8	41.4	2.6	44.9	49.9	5.0
Norway	39.5	44.5	5.0	45.0	46.5	1.5
Sweden	27.0	37.6	10.6	44.9	49.9	5.0
Iceland	33.3	42.1	8.8	40.6	37.7	-2.9
Austria	12.5	19.6	7.1	14.1	25.6	11.5
Switzerland	12.1	18.2	6.1	15.2	21.0	5.8

¹ Excluding diamond sales.

Source: OECD Foreign Trade Statistics, Series A.

The structure of Metropolitan Portugal's balance of payments also changed fairly significantly over the last decade. The first five years saw a moderate deficit on the current balance which subsequently was converted into a comparatively large surplus. From 1965 onwards the widening trade deficit was more than offset by the surplus on invisibles derived from increased emigrants' remittances and tourist receipts. During the period

¹ When it acceded to the Convention, Portugal was given preferential treatment. Only on imports of a few particularly competitive products (cotton textiles, clothing, paper pulp) were customs duties entirely abolished at the end of 1966. For nearly all the other non-agricultural products, customs duties were only reduced by half in 1970. The timetable of tariff cuts, which was to have run until 1980, had to be reconsidered as a result of the prospective admission of the United Kingdom, Norway and Denmark to the EEC.

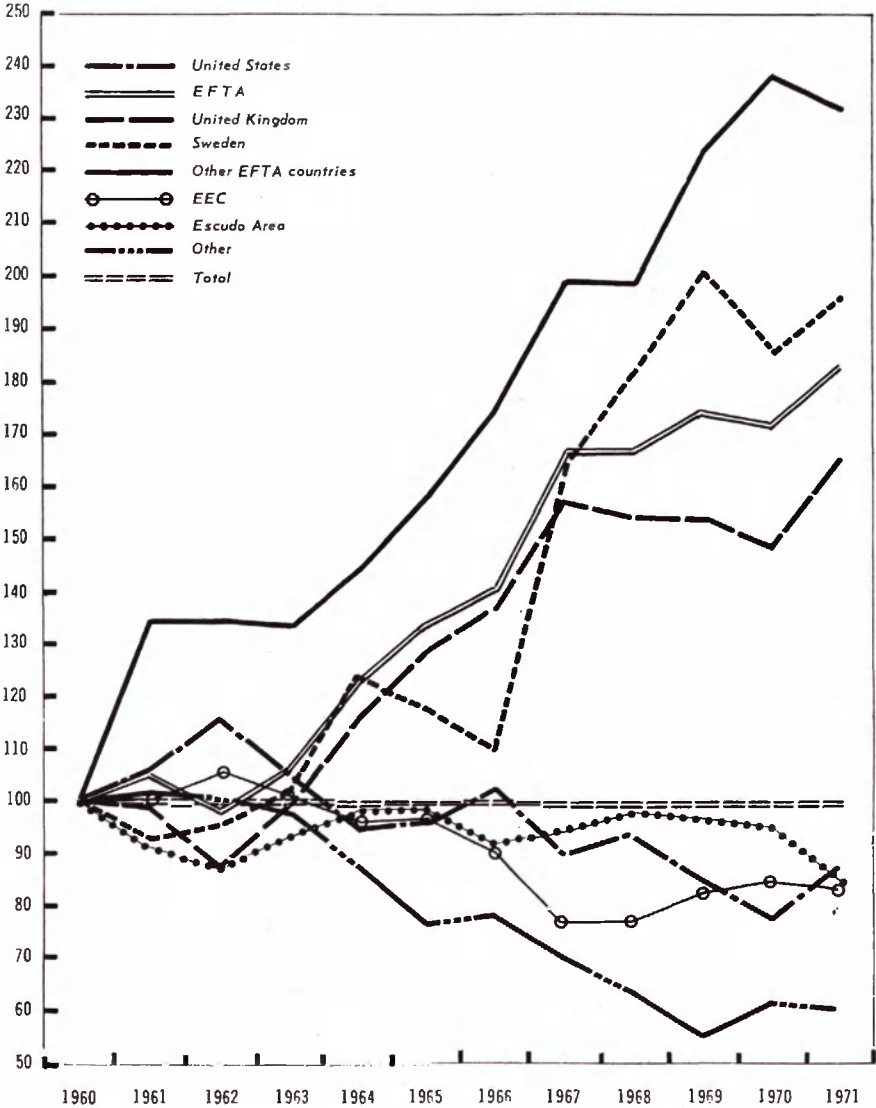
Table 10 Pattern of foreign trade by commodity and by area as a percentage of total foreign trade in 1970

	SITC groups	USA	EEC	EFTA	Other OECD countries	Escudo area	Other countries	Total
IMPORTS								
Food and beverages	0,1	2.2	1.2	1.3	1.3	3.9	1.4	11.3
Basic materials	2,3,4	0.8	2.8	1.6	1.5	5.0	9.8	21.5
Manufactures	5,6,7,8	4.1	29.0	21.5	5.7	5.7	1.0	67.1
Chemicals	5	0.7	5.0	3.6	0.8	0	0.2	10.3
Goods classified chiefly by material	6	0.6	6.9	6.7	2.1	5.4	0.6	22.3
Machinery and transport equipment	7	2.5	15.2	9.8	2.4	0	0.2	30.1
Miscellaneous	8	0.3	1.9	1.4	0.5	0.3	0.1	4.3
Unspecified	9	0	0.1	0	0	0	0	0.1
Total		7.1	33.0	24.2	8.5	14.7	12.5	100
EXPORTS								
Food and beverages	0,1	2.6	4.5	4.4	1.3	4.4	1.4	18.6
Chemicals	5	0.2	2.1	0.9	0.5	2.6	1.0	7.3
Textiles, textile goods, and clothing	65,84	2.2	1.4	14.1	0.7	6.1	0.9	25.4
Fine pearls and precious metals	667	0	0	4.8	0	0	0	4.8
Petroleum and petroleum products	33	—	0.5	0.7	—	0.5	0.6	2.3
Machinery and transport equipment	7	1.4	1.1	1.9	0.3	3.2	0.5	8.4
Wood, lumber and cork, wood and cork manufactures	24,63	0.7	2.7	2.9	0.7	0.3	2.3	9.7
Pulp and waste paper	25	0	2.4	1.9	0.5	0	0.1	5.0
Other		1.6	3.6	3.7	0.7	7.4	1.4	18.4
Total		8.7	18.3	35.4	4.8	24.5	8.3	100

Source: OECD, Trade by Commodity, Foreign Trade Statistics, Series B.

1967-1970 the current surplus amounted to nearly 2.7 per cent of GNP of which however 2.3 per cent on account of settlements with the overseas territories. As normally expected for a country in the process of industrialisation, the balance on long-term capital movements tended to be in surplus. Net inflows amounted to about \$ 50 million a year, this being very largely in the form of private capital. Except in the two years 1960

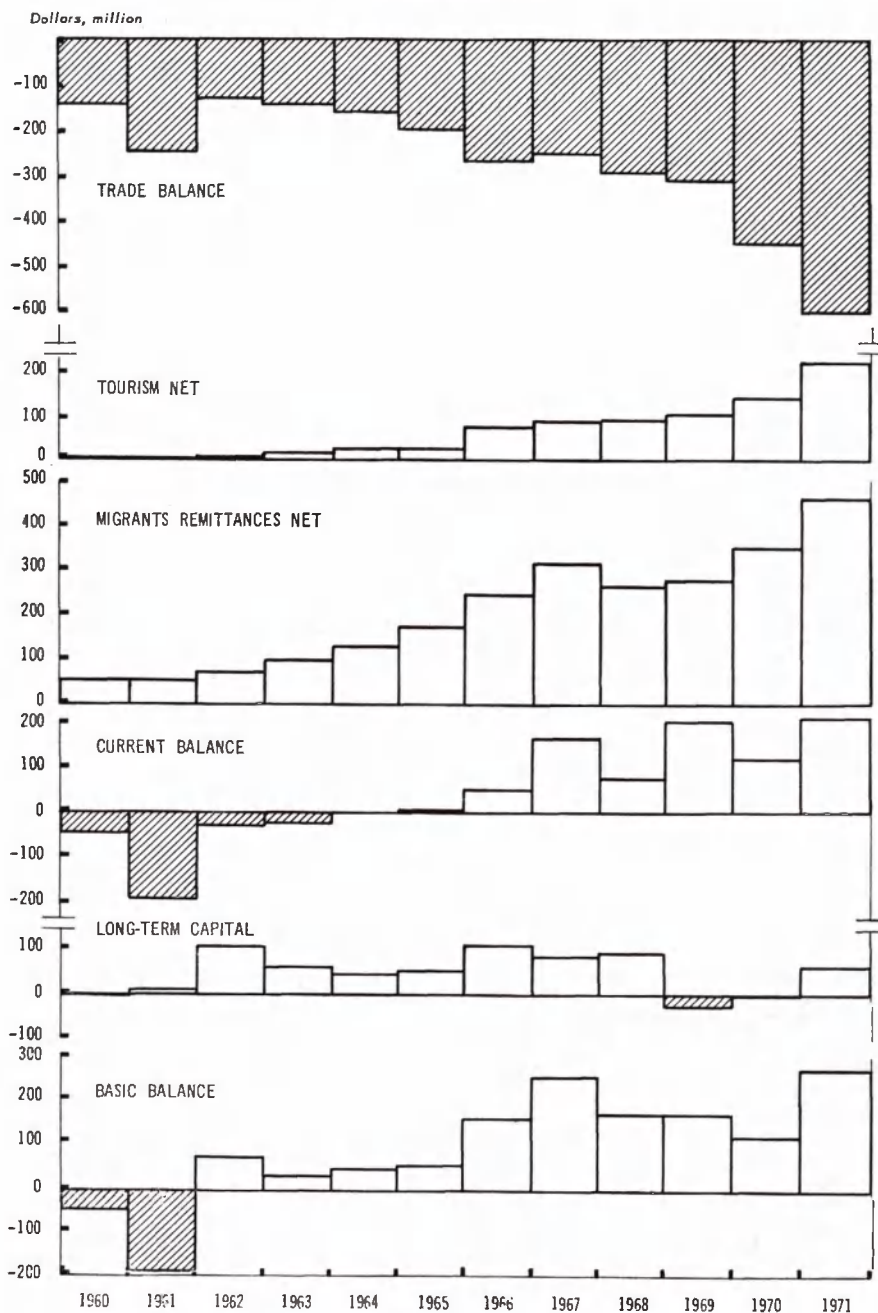
Diagram 7 Relative Growth of Exports by area



Sources: National Statistics Institute, Foreign Trade Statistics.

Portugal

Diagram 8 Structure of metropolitan Portugal's Balance of Payments with abroad 1960-1971



Sources : Bank of Portugal Annual Reports and Secretariat Estimates.

and 1961 the basic balance has therefore continuously registered a surplus, which may be estimated at an average of some \$ 80 million a year over the period 1960-1970. The large surplus on current account that has always been recorded in transactions with the overseas territories has been only partially offset by net outflows of private and public capital, which has been causing a problem of inter-territorial payments for some years now. It should be noted moreover that the statistics only show settlements between Metropolitan Portugal and the rest of the escudo area, with the result that the scale of trade flows and capital movements (notably contributions in kind) tends to be underestimated.

The worsening of the inter-territorial transfers problem has recently let the authorities to take a number of measures aiming not only at preventing any further increase in payments arrears but also at liquidating them progressively¹. All transactions in goods and current invisibles, together with private capital movements, are now subject to prior registration and authorisation. Only those operations particularly necessary to the economic development of the overseas territories are given priority status. It is planned to wind up about 40 per cent of total arrears (nearly 10 billion escudos) during 1972, and to use for this purpose the proceeds from a loan issue by the Treasury and the Angola and Mozambique Exchange Funds, an increase in the capital of the Monetary Fund for the escudo area² and some of the foreign exchange which these provinces have earned abroad.

The gross foreign exchange reserves of the escudo area (gold, convertible currency, reserve position with the IMF) have increased steadily, from 637 million in 1960 to \$ 1 945 million in 1971. Public sector borrowing has contributed to this accumulation, particularly during the period 1960-1966. The rapid growth of purchases abroad brought about a fall in the ratio of reserves to imports, but for the escudo area as a whole this has never dropped below ten months' imports, which is one of the highest rates among the OECD countries. To offer a comparison, during the same period the average amount of reserves held by the other Member countries,

1 Inter-territorial payments in the escudo area are settled monthly in principle. These clearing operations take place through the « reserve accounts » held by the « Exchange Fund » of each territory with the Bank of Portugal. The Monetary Fund of the escudo area grants credits to the various territories; these credits are partly automatic and partly conditional. By 1966 Angola and Mozambique had exhausted their lines of automatic credit and their payments arrears with Metropolitan Portugal have increased steadily over the last few years. In 1971 they amounted to 5.4 billion and 4.5 billion escudos respectively. Since the official credits granted under the system of inter-territorial payments were exhausted, exports of goods and services from Metropolitan Portugal were financed by commercial credit granted by the metropolitan banks. However, in view of the rapid growth of outstanding credit, the banks have become increasingly reluctant to extend their financing. Provisional measures had already been taken by the authorities in November 1970 to right this situation. Pursuant to the conclusions of a government study, more general arrangements were made at the end of 1971 (decree-law n° 478/71 of 6th November, decree n° 550 a 552/71 and Ministerial Order n° 703/31 of 15th December).

2 The capital of the Monetary Fund for the escudo area is entirely subscribed by the Treasury, the Bank of Portugal, the Bank of Angola and the National Overseas Bank. Under the arrangements decided on in 1971, it has been raised from 1.5 to 3 billion escudos.

Portugal

excluding the United States, was equivalent to about five months' imports. Gold holdings have always been very substantial and although their proportion in total reserves has tended gradually to decrease, they still account for more than 50 per cent. Portugal is a member of the International Monetary Fund, but it is one of the few countries that does not yet participate in the Fund's special drawing account.

Table 11 Reserves position

	\$ billion, end of period Portugal ¹	Ratio of reserves to imports in number of months				GNP per head in dollars		
		Portugal Metropolitan	Escudo area ²	Other southern OECD countries ³	Total OECD ⁴	Portugal	Other southern OECD countries	European members of the OECD
1960	0.64	18	14½	6½	5½	290	300	990
1961	0.57	13	11	7	5½	300	320	1 080
1962	0.68	17¾	13½	6½	5½	320	350	1 160
1963	0.73	17	13½	5½	5½	340	410	1 260
1964	0.87	17	12¾	6½	5	370	450	1 370
1965	0.94	15½	11¾	4½	5	400	490	1 470
1966	1.08	15¾	12	3½	4½	440	560	1 580
1967	1.23	17	12¾	3½	4½	490	600	1 650
1968	1.36	17	12¾	3½	4	530	600	1 710
1969	1.44	16½	12	3½	3½	600	660	1 870
1970	1.50	14½	10½	4	3½	640	700	2 090
1971	1.95	16	12	6½	5½			

- 1 Gold, convertible foreign exchange, IMF reserve position of the escudo area.
- 2 Imports fob - balance of payments statistics.
- 3 Spain, Greece, Turkey.
- 4 Excluding the United States.

Source: IMF—International Financial Statistics—OECD, National Accounts of OECD Countries and Balance of Payments Statistics.

Recent trends in foreign trade

In 1971 the trade deficit of Metropolitan Portugal is estimated to have reached a record level of some \$ 600 million on a balance of payments basis. To judge from the provisional indices published by the Bank of Portugal the volume of imports decreased slightly¹ while exports made a very little headway, but owing to the unfavourable development in the terms of trade in value terms, the rate of growth of imports is likely to have been much higher than that of exports. The slowdown in purchases seems to have been confined mainly to supplies of raw materials and semis. Imports of food products continued to rise rapidly, probably reflecting the difficulty for agricultural production to adjust to the rapid diversification of food

1 These indices are based on the provisional trade figures. Because of this together with the well-known difficulties in establishing indices of foreign trade prices, any assessment of the volume trend of foreign trade needs to be treated with considerable caution.

consumption, whereas purchases of capital goods abroad, which had grown very considerably in 1970, continued to increase, but at a significantly slower pace than the previous year.

Sales of Portuguese products also slowed down somewhat, chiefly as a result of a slight fall in deliveries to the overseas territories and a less rapid growth of foreign demand, notably from the European countries of the OECD. However, it is probable that structural factors did something to prevent Portuguese exports from making deeper inroads on certain foreign markets (insufficient supply, increased foreign competition, inadequate distribution networks, import restrictions on certain commodity groups). Thus the progress made by exports of agricultural and food products or commodities such as wood and cork was very small. Exports of canned fish and concentrated tomato juice, which represent about one-third of total sales of agricultural and food products, were down¹. On the other hand, exports of textile products and capital goods, particularly to non-escudo countries, would seem to have made satisfactory progress. Besides the falling-off in Metropolitan Portugal's sales to the overseas territories, there was some acceleration in the growth of exports to EEC countries. Exports to EFTA countries increased comparatively rapidly, while those to the United States picked up again sharply. The trend of foreign trade during the early part of 1972 is very difficult to assess. The brisk growth of imports by value over the period from January to April (as compared with the corresponding period in the previous year) is not necessarily very meaningful in itself. On the export side a moderate rate of increase is apparent, but there was a fall in exports to the overseas provinces, probably connected with the inter-territorial payments problem referred to earlier.

The balance of payments in 1971

According to the balance of payments figures, in 1971 Metropolitan Portugal's current account showed a very substantial surplus of about \$ 200 million. A surplus of this size had been achieved only once before, in 1969; but whereas that year it was very largely attributable to transactions with other members of the escudo area, in 1971 it was essentially the balance of current transactions with countries outside the escudo area which showed a very large surplus (nearly \$ 185 million). The considerable trade deficit was more than offset by a very brisk growth in net tourist receipts and emigrant workers' remittances. The traditional deficit on transport and insurance transactions narrowed significantly, whilst the surplus on "investment income" was somewhat smaller than in 1969 and 1970.

The deficit on capital account (including errors and omissions but excluding monetary capital) during the previous two years was converted into a surplus of nearly \$ 65 million. Net inflows of medium and long-term private capital from abroad increased appreciably. This was due in the main to substantial net inflows of loans and direct

1 Exports of canned sardines picked up somewhat, however.

Table 12 Balance of payments of Metropolitan Portugal
\$ million

	With non-Escudo countries				With the rest of Escudo area				Global balance			
	1968	1969	1970	1971 ¹	1968	1969	1970	1971	1968	1969	1970	1971 ¹
Exports, fob	580	657	723	810	205	202	202	155	785	859	925	965
Imports, fob	963	1 046	1 239	1 427	111	118	137	139	1 074	1 164	1 376	1 566
Trade balance	-383	-389	-516	-617	94	84	65	16	-289	-305	-451	-601
Services, net	82	40	55	165	-30	47	6	-26	52	87	61	139
Travel	135	93	124	185	17	17	19	27	152	110	143	212
Transport	-42	-44	-52	-28	4	8	8	7	-38	-36	-44	-21
Insurance	-6	-6	-7	-6	1	2	1	1	-5	-4	-6	-5
Investment income	-6	-4	—	-11	27	37	31	25	21	33	31	14
Government, net	-11	-3	-9	9	-83	-26	-66	-91	-94	-29	-75	-82
Other	12	4	-1	16	4	9	13	5	16	13	12	-21
Private transfers, net	263	392	483	635	52	25	24	29	315	417	507	664
Current balance	-38	43	22	183	116	156	95	19	78	199	117	202
Long-term capital	110	6	40	84	-16	-32	-16	-20	94	-26	-24	64
Private	93	—	47	81	-6	-9	-1	-5	87	-9	46	76
Official	17	6	-7	3	-10	-23	-15	-15	7	-17	-22	-12
Short-term capital and unrecorded	-28	-67	-59	7	6	1	-3	-6	-22	-66	-62	1
Balance on non-monetary transactions	44	-18	3	274	106	125	76	-7	150	107	79	267

1. Provisional figures.

Details may not add due to rounding.

Note: Settlements basis for transactions with the Overseas Provinces.

Sources: Portuguese submission to the OECD. Annual Report of the Bank of Portugal, 1970.

Table 13 Balance of payments of Escudo area
\$ million

	Global balance ¹					<i>Of which: balance of Overseas Provinces with countries outside the Escudo area¹</i>				
	1967	1968	1969	1970	1971 ²	1967	1968	1969	1970	1971 ²
Current account										
Exports	769	845	923	1 053	1 178	233	264	266	330	367
Imports	1 147	1 289	1 428	1 699	1 962	279	326	382	461	531
Trade balance	-378	-444	-505	-646	-784	-46	-62	-116	-131	-164
Services, net	282	224	163	223	336	129	142	123	168	171
Private transfers, net	211	265	397	486	656	3	2	5	3	21
Current balance	115	45	55	63	208	86	82	12	40	28
Capital account										
Long-term capital	107	105	38	45	84	-11	-5	33	4	-
Short-term capital and unrecorded	-12	-7	-38	-20	-8	-	-1	1	11	12
Balance on non-monetary transactions	210	143	55	88	284					
Private monetary institutions	-59	-8	-5	-39	56					
Balance on official settlements (increase of assets = +)	151	135	50	49	340					
Miscellaneous official assets and liabilities, net	10	10	19	2	6					
Change in reserves³	161	145	69	51	346					
Gold	57	157	23	23	19					
Foreign exchange	104	-12	46	28	317					
Net IMF position	-	-	-	-	10					

1 Details may not add due to rounding.

2 Provisional figures.

3 Portugal does not participate in the IMF special drawing account.

NOTE Settlements basis for transactions with the Overseas Provinces (Cap Verde, Portuguese Guinea, Sao Tomé, Principe Islands, Angola, Mozambique, Macao, Timor).

Sources: Memorandum submitted to the OECD by the Portuguese authorities and Annual Report of the Bank of Portugal, 1971.

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investments. Direct investment in Portugal by non-residents amounted to nearly \$ 45 million. The principal investors were nationals of the United States, the United Kingdom and the countries of the European Economic Community. Their capital was channelled chiefly into manufacturing and real estate investment; in the latter category this probably reflected the rapid development of investment projects in the tourist sector. Long-term public capital movements between Metropolitan Portugal and abroad showed a slight surplus, whilst net exports of private and public capital to members of the escudo area made a little headway, totalling some \$ 20 million.

The external monetary position of the escudo area strengthened considerably in 1971. The balance on non-monetary transactions between Metropolitan Portugal and abroad showed a surplus of about \$ 275 million, and the external settlements of the overseas territories were also slightly in surplus again. The surplus on current settlements between overseas territories and abroad decreased slightly, however; net receipts on invisibles continued to increase very satisfactorily, but the deficit of some years' standing on merchandise payments widened considerably, reaching over \$ 160 million in 1971 as compared with nearly \$ 50 million in 1967. The accelerated economic development of some of the overseas territories caused a rapid growth of imports, whereas their sales abroad made more moderate headway. The net external assets of the commercial banks of Metropolitan Portugal and overseas showed a slight decrease, but those of the public sector rose steeply. The gross official reserves in gold and convertible currency held by the Central Bank, the Treasury and the Overseas Exchange Fund increased by about \$ 372 million. Portugal's IMF quota was raised from \$ 75 million to \$ 117 million, which entailed a disbursement of \$ 10.6 million in connection with the increase in the gold tranche.

Following the Agreement of 18th December, 1971, on the general realignment of parities, the Portuguese escudo was revalued by 5.5 per cent against the dollar¹. Given the geographical pattern of Portugal's foreign trade, it may be estimated that compared with its parity prior to May 1971 the escudo has undergone an effective devaluation of 1.5 per cent against the other currencies as a whole². These very approximate calculations suggest that the unfavourable terms of trade effect on the trade balance might be of the order of 2 per cent of the value of the merchandise flows. The net effect of the parity changes on the tourist account does not seem likely to be very significant. Because of the parity changes in the currencies of the chief countries that supply Portugal's tourist trade, tourist receipts expressed in dollars should rise by about 5 per cent. But since the escudo has been revalued as against the currencies of some competitor countries in the southern zone of the OECD area, such as Greece and above all Yugoslavia, the possibility of a slight shift in tourist flows to those

1 On 21st December the parity of the escudo was changed from 28.75 to 27.25 escudos to the dollar.

2 This estimate is arrived at through the use of a tripleweighting system that takes account of bilateral import and export flows and sales by Portugal's competitors on third markets.

countries cannot be ruled out; but in any case, gains in tourist market shares should continue to be recorded in 1972. The general realignment of parities should, on the other hand, have a more favourable impact on receipts on account of migrants' remittances. The concentration of emigrant workers in countries which have on average revalued their currencies by about 7 per cent against the dollar should result in a gain of approximately \$ 35 million. On the whole, therefore, the net effect of the terms of trade on the current balance might be slightly negative.

Net inflows of foreign exchange in the form of private transfers and tourist receipts amounted in 1971 to nearly \$ 880 million, or more than 90 per cent of the value of total exports of merchandise from Metropolitan Portugal or approximately 12.6 per cent of GNP. In the medium term the probable reduction of emigration should cause some slowdown in the growth of emigrants' remittances. The growth of earnings from tourism might also decelerate since, although its potential remains considerable, the tourist industry in Portugal is now out of its initial phase of development. Because of the strategic role played by tourist activities in the Portuguese economy, the following paragraphs have been devoted to a brief review of the tourist sector.

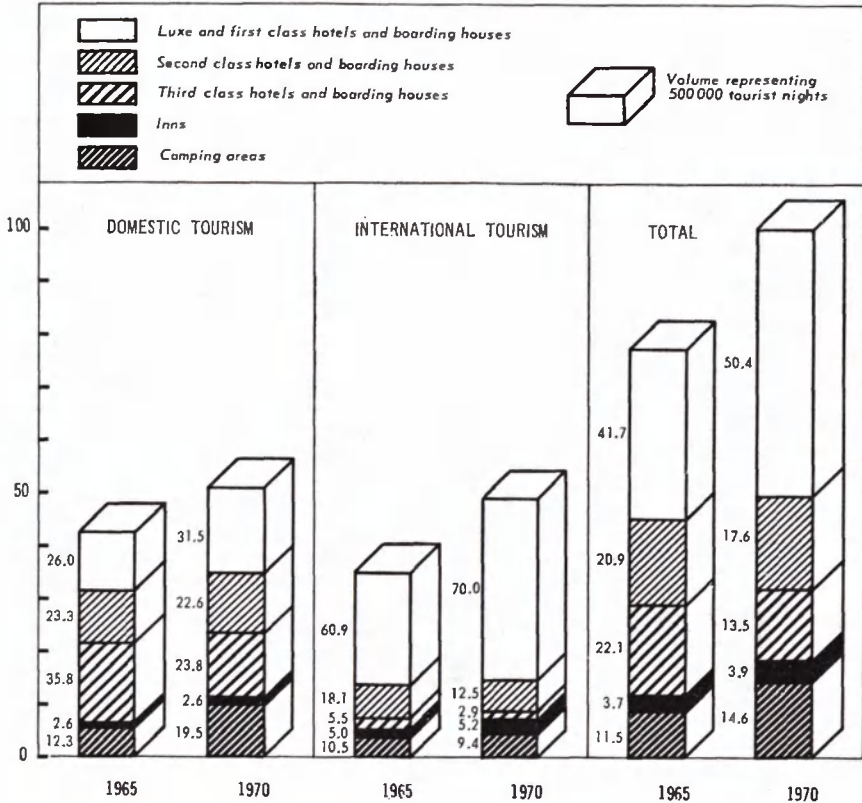
International tourism

Given its extremely rapid expansion, international tourism is playing an increasingly important part in the development of the tourist sector as a whole. From 1964 to 1970 the proportion of total nights spent in hotels and related establishments by non-residents rose from less than 40 per cent to more than 50 per cent. The weight of international tourism is all the more important since it originates from social categories with significantly higher incomes than those of the resident clientèle; in 1970 the proportion of total nights' lodging spent in de luxe and first class hotels and boarding houses was 70 per cent in the case of foreign tourists and 31.5 per cent in that of domestic tourists. Systematic efforts to attract the higher income groups have been made by the authorities, moreover. During the 1960s investment in new hotels and enlargement of accommodation capacity was concentrated on de luxe and first class establishments. In contrast to the trend in other countries, low-cost tourism is not very pronounced. In 1970 nights spent by non-residents in third class hotels and boarding houses and in camping areas accounted for no more than about 12.5 per cent of total tourist nights.

As in nearly all the other countries of southern Europe, tourist activity in mainland Portugal is fairly seasonal. Although a better yearlong use of hotel capacity has been achieved over the last few years, in 1971 nearly 40 per cent of total tourist nights were still concentrated into the third quarter of the year. Spreading of the tourist flow is much more marked in the off-shore islands (the Azores and Madeira), where even so there is a slight seasonal peak during the winter months. The flow of tourists is concentrated particularly in the coastal zones of the Lisbon, Algarve and Oporto areas. In 1970 these three areas accounted for over 70 per cent of tourist nights spent in mainland Portugal. It is the Algarve area in

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Diagram 9 Breakdown of Tourist nights by Accommodation Category as a Percentage of Total

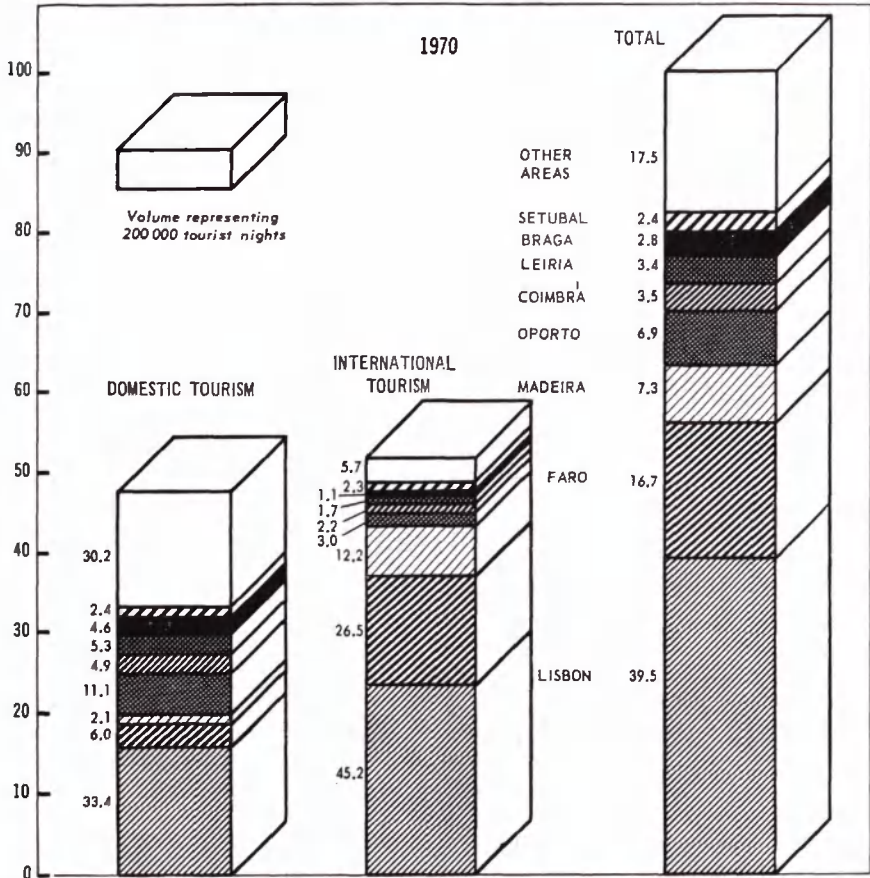


Source: National Statistics Institute, Tourism Statistics.

which the growth of tourism has been most rapid during recent years. Of the foreign tourists coming to Portugal, Spanish nationals are by tradition the largest group but the length of their stay is generally less than that of nationals of other countries. In 1970, for instance, they accounted for more than 50 per cent of frontier admissions but only about 20 per cent of total tourist nights. The next largest numbers of visitors come from the United States, the United Kingdom, France and Germany.

Since the beginning of the 1960s earnings from tourism have been growing at a significantly faster rate than GNP in money terms or exports of merchandise. Whereas in 1960 they were equivalent to less than 1 per cent of GNP and about 5 per cent of export earnings, in 1971 these proportions stood at 4.7 and 3.4 per cent respectively. With spending by Portuguese residents abroad increasing at a much slower pace, net tourist receipts have made brisk headway, rising from about \$ 13 million in 1960

Diagram 10 Breakdown of Tourist nights by Region as a Percentage of Total



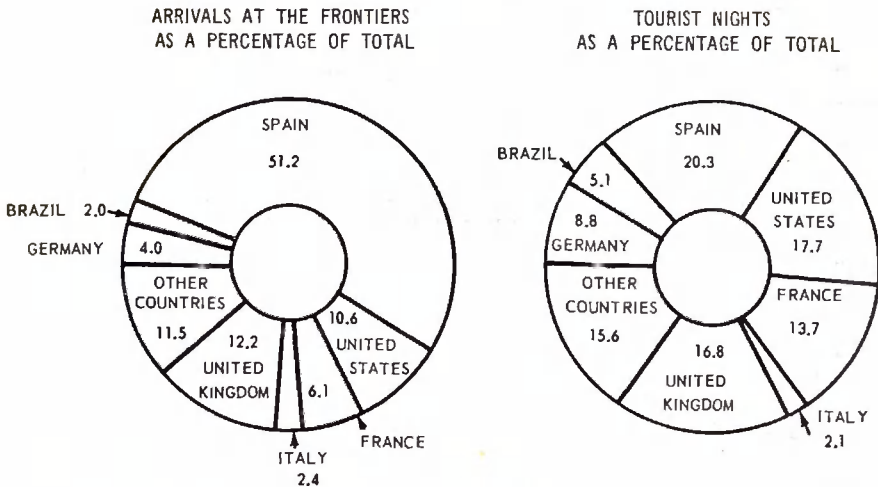
Source: National Statistics Institute, Tourism Statistics.

to nearly \$ 215 million in 1971¹. This has made it possible to cover more than one-third of the trade deficit recorded over the last year. The growth of tourist receipts was extremely rapid until 1967, but in 1968 there was a fall in numbers of visitors and nights' lodging, which reflected the sharp slowdown in international tourist business that year and probably too the effects of the devaluation of the Spanish peseta at the end of 1967. The year 1969 saw the beginnings of a recovery which gathered considerable momentum in the two years that followed. The growth of tourist business has had a marked multiplier effect on the growth of other sectors, but it has contributed to the increase in inflationary pressure at sectoral and

1 See footnote page 43.

Portugal

Diagram 11 Breakdown of Tourist by nationality



Source: National Statistics Institute, Tourism Statistics.

regional level. The development of real estate speculation to which it has contributed has also resulted in a rapid rise in land prices.

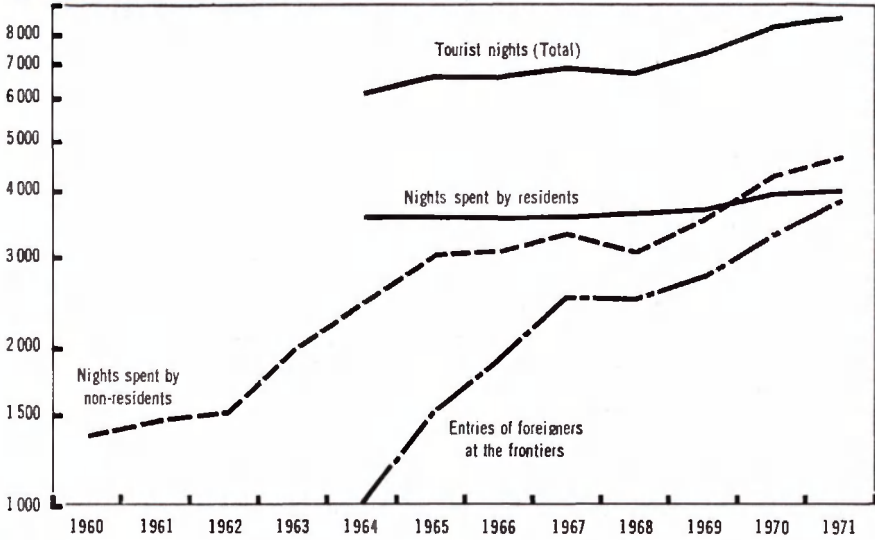
Any inter-country comparison of tourist statistics calls for a number of precautions. It would seem, however, that of all the OECD countries Portugal is the one with the most rapid growth of tourist receipts over the period 1960-1970. This can be partly explained by the fact that given the relatively recent development of tourist activities, in 1960 earnings were still extremely small compared with those of most other countries. Portugal's share in the total tourist receipts of OECD countries rose from 0.5 per cent in 1960 to 1.7 per cent in 1970, in which year they represented approximately 3.8 per cent of GNP, one of the highest percentages in OECD countries, yet lower than in Austria, Spain, Ireland and Switzerland. Inter-country comparisons of the number of arrivals at the frontier and the number of nights' lodging suggest that Portugal has accommodated a growing proportion of the new tourist flows. But given existing touristic potential, net receipts are still relatively modest. Despite a fairly appreciable increase during recent years, accommodation capacity¹ (hotels, motels, inns and boarding houses) is still fairly limited and much below that of countries like Greece and Yugoslavia. Additional accommodation capacity (youth hostels, holiday centres, camping sites) is not known accurately, but the partial statistics available² suggest that it is still among the lowest in the OECD area. It should be remembered, however, that the annual number of dwellings purchased by and built for foreign residents has grown considerably in recent years.

1 Measured by the number of beds available in hotels and related establishments.

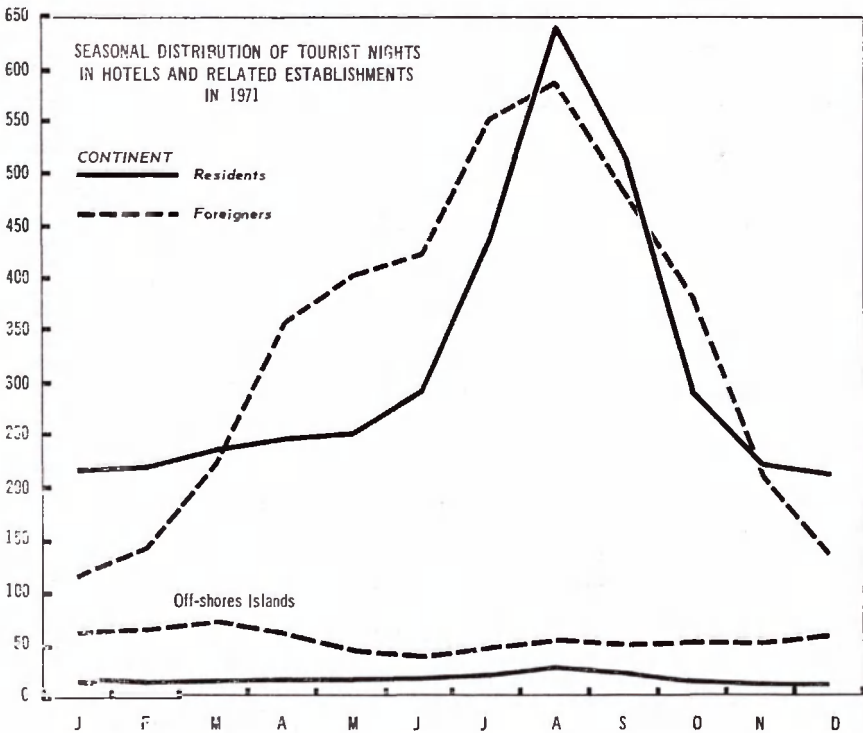
2 See the report of the OECD Tourism Committee, Annex I, Table XVII — Paris, 1971.

Diagram 12 Tourist Business indicators

Semi-log. scale



Thousand



Source: National Statistics Institute, Tourism Statistics.

Table 14 International Tourist Business Indicators

	1970 ¹			Annual average percentage increase 1963-1970			Hotel capacity
	Number of arrivals of foreign tourists in thousands	Number of nights lodging in thousands	Average length of stay ²	Number of arrivals	Number of nights	Tourist receipts at constant prices ³	Number of beds available in hotels and similar establishments ⁴ in thousands
OECD SOUTH							
Portugal	3 342.9	4 312.1	3.62	30.7	12.8	19.2	73.2
Spain	22 714.0	50 806.3	5.75	14.2	12.3	7.0	681.6
Greece	1 407.5	15 482.0	3.69	11.1	..	6.0	118.9
Turkey		2 516.5	..	18.8**	..	24.5	166.8*
OTHER EUROPEAN MEMBER COUNTRIES							
Germany		20 022.5	2.12		4.5	7.1	847.1
Austria		59 068.3	6.66		6.5	9.5	495.9
BLEU		6 889.0	..		3.9	8.5	102.7
Denmark	1 174.6	6 592.4	..	7.5*	..	6.0	55.4
Finland	145.8	..	..	12.9*	..	18.5	33.3
France	13 700.0	125 000.0	..	4.7	5.1	3.3	761.5
Ireland	1 950.0	20 865.0	..	3.8	3.4	-1.0	53.9
Iceland	52.9	..	..	17.1	..	12.1	—
Italy	14 188.5	46 311.4	4.47	4.3	3.6	4.8	1 332.5
Norway	304.3	2 234.1	2.13	14.6*	4.8	6.6	89.8
Netherlands	—	6 099.7	2.54	—	2.5**	5.4	131.9
United Kingdom	6 751.0	100 400.0	..	12.3	7.7	5.8	773.0
Sweden	448.9	..	..	16.3*	..	5.1	95.0
Switzerland	—	20 962.8	3.06		2.8	3.9	256.0
NON-EUROPEAN COUNTRIES							
Canada	13 988.5	..	..	4.3	..	8.0	490.4
United States	13 167.4	..	..	11.7	..	9.4	2 386.0*
Japan	854.4	7 417.5	2.29*	15.8	..	16.8	59.6
Yugoslavia	7 974.1	22 560.1	4.75		16.7		

* In 1969 ** 1964-1970.

1 Due to differences in definition, methodology and coverage, the figures relating to the average length of stay, to the number of arrivals and to nights lodging are not comparable as between countries. They are only intended to provide an order of magnitude for each country.

2 The average length of stay is obtained by dividing the number of nights recorded by the lodging establishments considered by the number of tourist arrivals recorded by the same lodging establishments. For Germany and Austria they refer to all lodging establishments surveyed, except youth hostels, children's holiday centres and camping sites; for Spain to hotels, boarding houses and camping sites; for Greece and Yugoslavia to all lodging establishments surveyed; for Portugal, Italy and Switzerland to hotels, motels, hostels and boarding houses; for Japan to European-type and Japanese-type hotels; for Norway to establishments officially entitled to call themselves hotels; for the Netherlands to hotels, motels and hostels.

3 Receipts at current prices divided by the implicit private consumption deflator.

4 These figures refer to hotels and motels only for the United States and Canada, to registered hotels for France, to hotels and boarding houses for the Netherlands, to European-type hotels for Japan.

Source: Annual report of OECD Tourism Committee.

Table 15 Earnings from Tourism

	Surplus or Deficit	Gross receipts from tourism	Average annual rate of increase	As a percentage of total current receipts in 1970	As a percentage of GNP in 1970	As a percentage of total OECD gross receipts from tourism	
						1960	1970
	Year 1970 US dollars million						
OECD SOUTH							
Portugal	142	240	25.0	39.4	3.9	0.52	1.67
Spain	1 543	1 681	18.9	67.8	5.2	5.97	11.67
Greece	139	194	14.3	32.0	2.1	1.02	1.35
Turkey	4	51	24.0	11.6	0.4	0.12	0.35
OTHER OECD EUROPEAN COUNTRIES							
Germany	-1 469	1 024	9.9	13.4	0.5	7.99	7.11
Austria	676	999	15.7	69.8	7.0	4.66	6.93
BLEU	-144	348	12.2	11.4	1.3	2.21	2.42
Denmark	41	314	11.4	26.4	2.0	2.15	2.18
Finland	34	129	22.5	21.9	1.3	0.34	0.90
France ¹	132	1 189	9.0	22.7	0.8	10.04	8.25
Ireland	86	186	5.3	39.9	4.8	2.22	1.29
Iceland	-2	5	17.5	5.3	0.9	—	0.03
Italy	912	1 639	9.8	28.5	1.8	12.90	11.38
Norway	6	157	11.9	6.7	1.4	1.02	1.09
Netherlands	-177	421	12.3	11.1	1.3	2.65	2.92
United Kingdom	115	1 039	8.2	9.2	0.9	9.50	7.21
Sweden	-338	144	8.0	8.7	0.5	1.35	1.00
Switzerland	478	905	9.5	35.0	4.5	7.33	6.28
NON-EUROPEAN COUNTRIES							
Canada	-209	1 192 ²	10.6 ²	35.0	1.6	8.70	8.27
United States	-1 634	2 319	9.7	11.1	0.2	18.46	16.10
Japan	-83	232	19.2	5.8	0.1	0.80	10.61
TOTAL OECD	252	14 408	11.2	18.0	0.7	100	100

1 With non-Franc Area countries.

2 Including expenditure on transportation.

Source: Memoranda submitted to the OECD by Member countries.

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The initial projections of the Third Development Plan for the period 1968-1973 implied an average annual increase in the number of tourist nights' lodging of nearly 18 per cent, and an even more rapid growth of tourist receipts (about 20 per cent at constant prices). Since the tourist industry was just out of its first phase of development, and as experience was to show, the mere extrapolation of past trends was not very realistic. In fact, over the first four years of the Plan's execution, the rate of increase in tourist receipts at constant prices was roughly 11 to 12 per cent per year¹ and in the case of tourist nights about 9 per cent. When the Plan's targets were revised after the first three years of execution, the projections for the growth of international tourism were adjusted downwards quite appreciably. From the broad options laid down in one of the Plan's sectoral programmes it emerges that the development of tourist business in the coming years should rest essentially with private enterprise, both national and international. The action of the authorities will be limited, in principle, to developing essential infrastructures in priority areas and to implementing a policy of incentives in the form of very substantial tax exemptions and subsidies granted fairly liberally for investment purposes. The State will also continue to extend its financial support through the Tourism Fund.

The Algarve, Lisbon and Madeira regions will continue to be treated as central priority zones from which the tourist flows can spread out to other areas. To put hotel accommodation capacity to better use, it is planned to intensify advertising and promotion abroad. At the same time the authorities are endeavouring to promote domestic tourist business. It is also planned to supervise the granting of appropriations more strictly and intensify vocational training activities.

Investment planned in the tourist industry during the Third Plan (1968-1973) is shown in Table 16. According to official estimates about 80 per cent of investments will be privately self-financed; the public sector (including the Tourism Fund), will put up less than 10 per cent of the financing, the remainder coming from the National Credit Fund, local tourism bodies and borrowing on the capital market. The published statistics on the execution of the projects entered under the annual investment programmes indicate that during the first three years of the Plan's execution 77.4 per cent of the total investment planned (2 billion escudos, financed mostly from public funds) was carried out, which represents a relatively low rate of implementation. The amount of expenditure programmed for the second three-year period 1971-1973 is nearly 3.2 billion escudos, an appreciable increase over the previous three years. There is

1 It is not possible to know accurately the rate of growth of earnings from tourism, as the balance-of-payments statistics for the period are not entirely uniform. Since 1968 an increasing proportion of emigrant workers' remittances, which had hitherto reached Portugal in the form of bank-notes and were recorded under tourist receipts, have been in the form of international postal cheques and are therefore, rightly, entered under transfers. An adjustment, which of necessity is approximate, has been made by the Secretariat so as to obtain uniform figures for the years 1967 and 1968. Also, certain foreign exchange inflows on account of dwelling purchases are recorded under earnings from tourism, although in fact they represent capital movements.

no complete information available about the trend of private investment, but it probably rose rapidly.

Table 16 Planned Investment in the Tourist Industry, 1968-1973
Escudos billion

Investment expenditure in the hotel and allied industry	9.87	Sources of financing:	
Luxury and first class hotels	6.50	Private self-financing	9.42
Second class hotels	1.05	National Credit Bank	0.75
Third class hotels	0.02	Tourism Fund	0.60
Luxury and first class boarding houses and hotels	2.00	Central Government Budget	0.51
Restaurants and similar establishments	0.30	Capital market	0.51
Promotion of tourism	1.74	Local tourism organisations	0.06
Occupational training for tourism	0.12		
Infrastructure and miscellaneous	0.12		
Total	11.85	Total	11.85

Source: Third Development Plan 1968-1973—Volume II—Sectoral programmes.

III ECONOMIC POLICY

Monetary policy

Monetary policy continued to be expansion oriented in 1971. In accordance with the new options defined some years earlier, the authorities also endeavoured to continue to promote a credit structure more consistent with the needs of economic development¹. This structure has undergone various changes over the last few years, some of them autonomous and some induced by economic policy measures. Yet although undeniable progress has been made, the credit system remains partly inadequate. The statistics available do not cover all the means of financing put at the disposal of the economy nor do they show an exhaustive breakdown by credit category². However, it can be seen from the transactions of the main credit institutions³, which account for most of the total credit granted, that

1 The various measures introduced in 1971 were described in their essentials in the previous annual survey. They were aimed primarily at increasing the credit potential of the commercial banks, channelling their resources into domestic investment and promoting the financing of activities assigned priority (exports, productive investment, production of goods in short supply on the domestic market).

2 Flow of funds tables are now being compiled.

3 These comprise, in addition to the banks i. e. the Bank of Portugal, the commercial banks, the savings banks and the « Caixa Geral de Depositos, Credito e Providencia » (the main institution for medium- and long-term lending) such institutions as the mutual farm credit funds, the National Development Bank and the Portuguese Finance Corporation.

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short-term lending still holds a predominant place in the structure of financing. This situation reflects the all-important role played by the commercial banks in mobilising savings, their marked preference for liquid assets and the fact that until 1969 the total of loans of over two years which they were authorised to extend was limited in accordance with the amount of their own capital and reserves.

Because of the structural shortcomings of the capital and money markets and the specific requirements of a very large number of small and medium-sized businesses denied the same financing facilities available to large enterprises, the authorities have endeavoured as from 1965 to increase medium and long-term credit to the economy. A policy of differential interest rates has been pursued with the aim of channelling liquid savings into longer-term investments and, to encourage the banks to develop this category of resources, their minimum reserve requirements against time deposits have been systematically kept lower than those against sight deposits. The outcome has been a rapid conversion of sight deposits into time deposits and a significant change in the structure of banks' liabilities. The proportion of time deposits in relation to total deposits rose from 31.5 per cent in 1965 to 45.8 per cent in 1971. But this development was followed by a much slower change in the structure of assets. Although the new measures taken in 1969¹ to allow the banks to expand their medium-term lending resulted in a very rapid growth of such transactions, in 1971 the proportion of medium-term loans in total bank assets was still less than 3 per cent².

In conjunction with the measures taken to encourage the commercial banks to develop medium-term lending, the authorities endeavoured to

The public funds, of a financial nature whose resources derive essentially from budget appropriations and bond issues or loans from the Caixa Geral, also contribute to the financing of activities in specific sectors. The chief of these funds are the Development Funds for Fishing, Housing, Tourism, Agricultural Improvement, the Merchant Navy, etc. The social security bodies and the insurance companies may, in certain circumstances, also extend loans to the private sector.

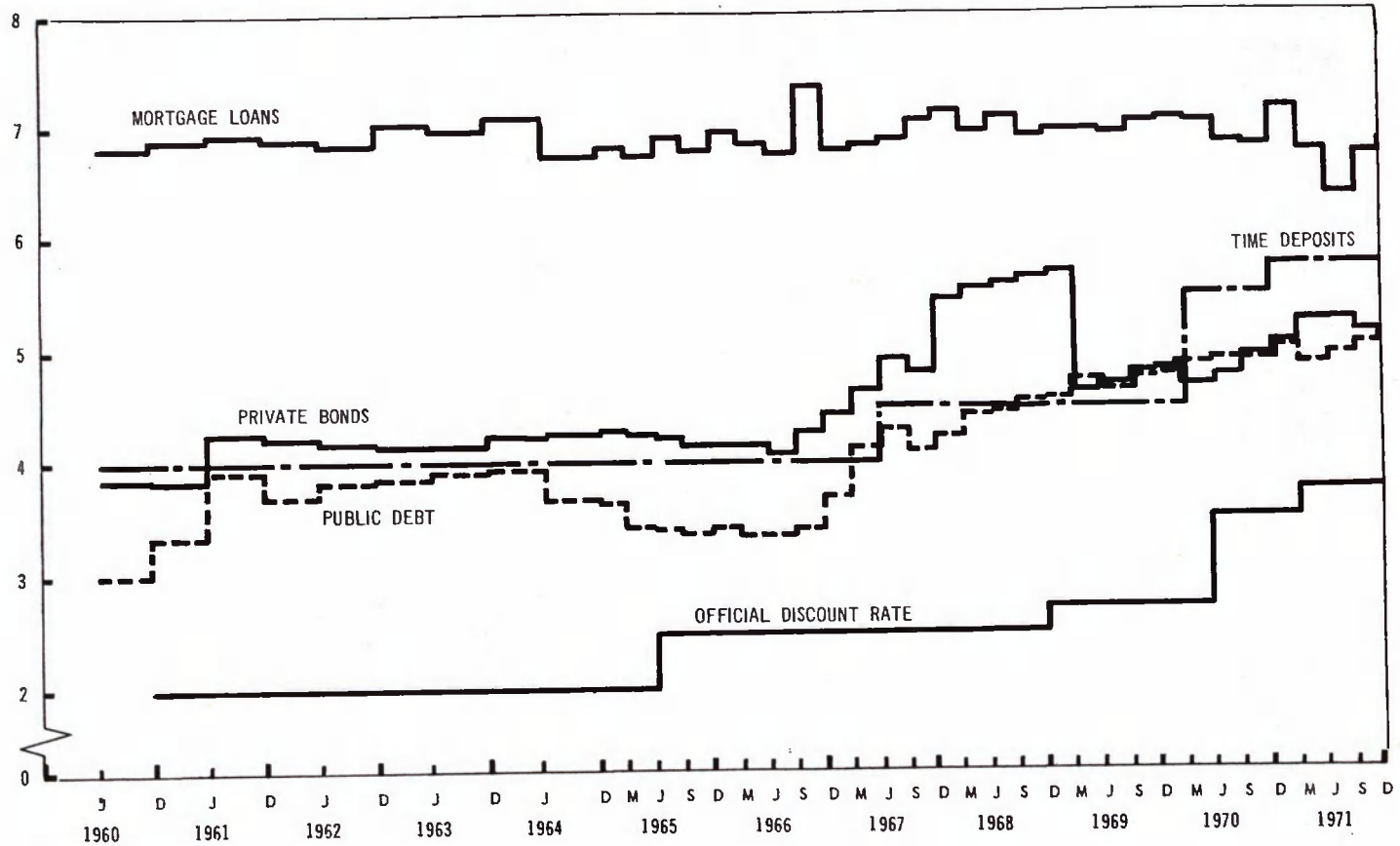
1 Legislation passed in 1969 authorised the banks to use certain resources, such as time deposits of over six months, the proceeds from bond issues and funds obtained from special institutions of foreign credit institutions, to finance loans of between one and seven years' duration. Up till then the maximum duration of bank loans could not exceed five years. In addition, refinancing facilities, hitherto reserved by the Bank of Portugal for medium-term export credit, were extended to these loans.

2 *Structure of commercial banks' assets and liabilities (as a percentage of total).*

	1960	1965	1971
Sight deposits	77.9	68.5	54.2
Time deposits:			
— less than 3 months	22.1	3.9	0.9
— more than 3 months	}	27.6	44.9
Short-term loans (up to 2 years)	..	98.0	97.1
Commercial paper	..	81.7	77.3
Other lending	..	16.3	19.8
Medium- and long-term loans (over 2 years)	..	2.0	2.9

Sources : Annual Reports of the Bank of Portugal.

Diagram 13 Trends in Interest Rates



Source: OECD, Financial Statistics.

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increase the lending capacity of other credit institutions specialising more directly in medium and long-term loans. Conditions of competition were harmonized; up to 1965 there had been no legal ceiling on maximum interest rates on time deposits of more than one month, and the commercial banks, traditionally more active and better organised than the other credit institutions, had tended to offer higher interest rates. As of September 1967 the maximum interest rates of the commercial banks and the "Caixa Geral" were completely standardized. Prior to April 1967 the "Caixa Geral" only accepted time deposits of one year. Since then it has begun to take six-month deposits. The commercial banks' share of total deposits held by the banking system has nevertheless continued to increase steadily, rising from about 55 per cent in 1960 to nearly 80 per cent in 1971¹. The rate of interest paid on deposits with the National Development Bank, set and maintained at 4 per cent from the time of the Bank's inception in 1960, has been raised three times since 1967 and brought up to 5.75 per cent². This has enabled the Bank to increase its resources and build up its operations. The total volume of its lending (essentially medium and long-term), which had increased relatively little between 1960 and 1966, trebled in the years that followed to reach more than 3 billion escudos, or approximately the equivalent of the total amount of loans of over two years' duration extended by the commercial banks. In 1969 the Portuguese Finance Corporation was set up; this is an investment bank the main purpose of which is to make financial investments abroad and in Portugal and, secondly, to extend medium and long-term loans.

Table 17 The money supply and its counterparts

	Millions of escudos outstanding at end-December 1971	Annual percentage change					
		1966	1967	1968	1969	1970	1971
TOTAL MONEY SUPPLY	203 102	11.3	11.1	13.3	17.3	12.1	17.9
Money	126 630	11.7	6.9	6.9	13.0	3.9	13.9
Quasi-money	76 472	9.8	27.3	34.4	28.5	30.9	25.2
COUNTERPARTS							
Gold and foreign exchange reserves	57 124	10.5	12.9	12.3	5.0	4.6	15.6
IMF	876						
Banking credits	154 637	13.3	7.5	14.5	21.5	18.8	22.9
Portfolio investment	15 727	4.1	8.5	1.7	7.8	14.5	-1.4
Overseas provinces compensation account	258						
Miscellaneous	-25 520						

Source: Annual Reports of the Bank of Portugal.

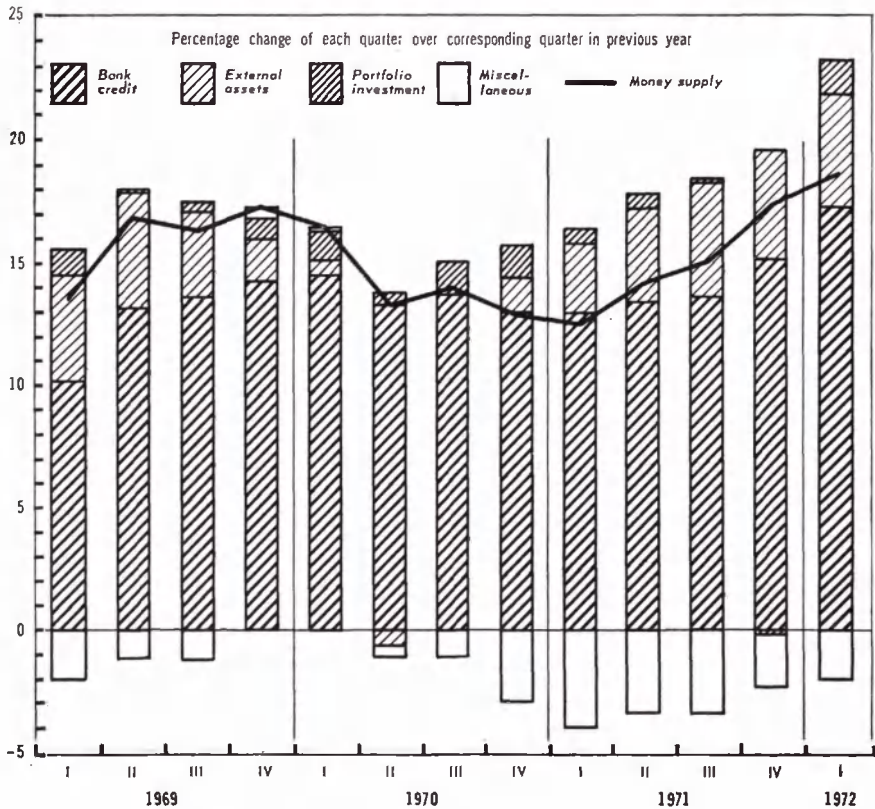
1 In 1970, however, the savings banks and the « Caixa Geral » were able to attract a larger proportion of new deposits than the commercial banks.

2 The Bank may only accept deposits of more than one year's duration; the interest paid on these deposits is tax-free.

The growth of the money supply broadly defined (money and quasi-money), which had become somewhat more moderate in 1970, quickened sharply in 1971. This was due in part to the net increase in foreign exchange reserves, but primarily to the expansion of bank credit; whereas in 1970 the growth of liquid assets was confined chiefly to quasi-money, in 1971 it also involved money assets. Yet despite the fact that the rapid rate of conversion of sight deposits into fixed-term deposits recorded over years slowed down somewhat, quasi-money assets rose by more than 25 per cent.

The growth of total bank credit was nearly twice as fast during the past three years as during the period 1965-1968. In 1971 it reached nearly 23 per cent. Outstanding credit from the commercial banks, the growth of which had slowed somewhat in 1970, picked up again very sharply, but there was a lower rate of increase in credit extended by the "Caixa Geral" and the savings banks and almost none at all in credit from the Central Bank. This marked growth in outstanding credit was apparent in all lending operations by the banking system of Metropolitan Portugal, whether

Diagram 14 Changes in Money supply counterparts



Source: Bank of Portugal Annual Reports.

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Table 18 Breakdown of Banking Credits

	Millions of escudos outstanding at end-December 1971	Annual percentage change					
		1966	1967	1968	1969	1970	1971
TOTAL BANKING CREDITS	154 637	13.3	7.5	14.5	21.5	18.8	22.9
SECTOR							
Private sector	148 430	15.5	6.4	16.6	23.0	19.0	22.9
Public sector	4 581	-15.6	43.3	-32.1	10.7	8.6	26.2
Miscellaneous	1 626						
SOURCE OF FINANCE							
Commercial banks	111 016	16.2	11.2	16.8	23.5	14.6	24.0
CGDCP and saving banks	32 907	11.9	4.5	8.1	13.4	30.1	26.3
Bank of Portugal	10 422	-1.3	-8.6	0.3	37.8	30.7	1.7
METHOD OF FINANCING							
Commercial portfolio	96 664	8.3	11.6	16.1	27.2	17.8	22.7
Loans and other credit operations (in escudos)	57 973	20.9	1.9	12.3	12.9	20.6	23.1

Source: Annual Reports of the Bank of Portugal.

the discounting of commercial paper or the granting of guaranteed loans and advances on current account; in contrast to the trend recorded in previous years, loans to the public sector increased more rapidly than those extended to the private sector (26.2 and 22.9 per cent respectively).

In spite of the rapid growth of their lending to the economy, the commercial banks used only part of their credit potential. Although bank liquidity (ratio of cash reserves to total liabilities) reached its lowest point since 1965, the excess of free reserves over compulsory minimum reserves amounted to 38.6 per cent. Given the predominant place which sight deposits still hold in the structure of bank liabilities, the reduction in the minimum reserve requirements against this category of deposits introduced on 5th February, 1971 resulted in an increase in bank lending capacity. The banks also reduced the amount of their foreign currency holdings¹, which explains why they borrowed less from the Central Bank than in previous years. Discounting of commercial paper made very brisk headway, but there was virtually no increase in guaranteed loans outstanding. Medium and long-term credit continued to expand very rapidly.

Owing to a number of structural shortcomings, the capital market has only helped in very small measure in recent years to meet the borrowing requirements of enterprises in the private sector. The restricted size of the capital market can also be explained in part by the public's marked prefer-

1 This rather paradoxical situation in a period when there is a large payments surplus is due to the measures taken by the Central Bank to limit the amount of foreign currency assets held by the commercial banks.

ence for liquid assets and real estate operations. The very rapid expansion of the mortgage market suggests that increasing urbanisation and the growth of tourism are helping to feed real estate speculation in some areas. Large firms have had only relatively little recourse to share issues in order to raise fresh funds. Only a small proportion of these issues have been placed on the open market, a very large number of transactions being handled off the stock exchange by banks or other operators. However, there have lately been signs that the share market is expanding. In 1971 an appreciable proportion of share issues were publicly subscribed, and over the period 1969-1971 the volume of transactions on the Lisbon stock exchange was more than twice what it was during the three previous years.

With regard to bond issues by the private sector, their growth was inhibited for many years by the 5 per cent ceiling on interest rates. Savings were therefore directed towards more remunerative forms of investment both at home and abroad, which contributed to the persistent illegal outflows of capital. As from 1967, however, the maximum rates of interest payable on bonds have been progressively raised¹. The gap between domestic rates and those operating abroad has largely been bridged. A State guarantee and tax benefits have been granted in respect of income from bonds. These measures would seem to have revived the public's interest, but the number of enterprises whose financial structure is strong enough to issue bonds is still limited. It should be noted that firms may now issue bonds that can be converted into shares or bonds carrying an entitlement to subscribe for shares. Despite the distinctly more attractive conditions, the market has remained comparatively narrow as evidenced by the small volume of bond issues actually emanating from the private sector during the last three years.

Budget policy

According to the general government account on a national accounts basis, current receipts rose very steeply in 1970 (19.7 per cent). Tax revenue showed a very marked acceleration owing to the much more sustained growth of economic activity, the payment of large sums of tax arrears and the higher tax rates introduced at the end of 1969. The increase in revenue (about 7 billion escudos) was much larger than the growth of total expenditure, especially in view of the fact that part of this expenditure was incurred abroad. Current expenditure rose very rapidly owing, among other things, to a substantial increase in civil servants' wages and salaries. Investment spending, however, was down slightly on 1969, a year when admittedly it had risen very steeply indeed. Developments in 1970 remained in line with the trends recorded in recent years. Both current saving and net lending by general government (central government, local authorities and social security) have tended to increase. In 1970 net lending by the public sector amounted to 4.1 billion escudos or roughly 2.2 per cent of GNP. The proportionately large size of military ex-

1 The nominal interest rate on bonds reached 7 per cent in 1971, which represented net of tax about 6.5 per cent.

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penditure is also a typical feature of the structure of public spending. In 1970 it still accounted for over 30 per cent of total public expenditure or about 7 per cent of GNP.

Table 19 Public Sector Account
National accounts basis, standardized concepts
Billions of escudos

	Public Sector		Central Government	
	1969	1970	1969	1970
Ordinary revenue	35.84	42.89	25.80	31.19
Direct taxes	9.56	11.31	7.64	9.22
Social Security Contributions	6.81	8.24	-	
Indirect taxes	16.73	25.35	15.99	19.53
Other revenue	2.74	2.99	2.17	2.44
Current Expenditure	28.97	35.13	22.68	27.51
Civilian	10.03	13.02	7.47	9.54
Military	11.19	12.74	11.19	12.74
Transfers and subsidies	6.86	8.39	2.78	3.90
Interest on the public debt	0.89	0.98	1.24	1.33
Current saving	6.87	7.76	3.12	3.68
Capital transfers (net)	0.21	0.78	-0.03	0.59
Gross fixed investment	4.58	4.47	2.59	2.53
Lending (+) or borrowing (-), net	2.50	4.07	0.50	1.66
Lending, net of repayments	-2.81	-2.33	-1.97	-1.74
Borrowing, net of repayments	0.10	0.55	0.64	0.91
Domestic borrowing	0.34	0.86	0.88	1.22
Foreign borrowing	-0.24	-0.31	-0.24	-0.31
Other changes	-0.24	-0.66	-0.20	-0.23
Increase (+) or decrease (-) Of treasury position	-0.45	1.63	-1.03	0.60

Source: Portuguese submission to OECD.

On a national accounts basis, only rather unreliable provisional figures are available for 1971. The final out-turns of the central government budget, however, point to a negative shift of about 2 billion escudos between 1970 and 1971. The rate of inflow of tax receipts has slowed considerably, particularly where direct taxation is concerned. This is attributable to a number of factors: the after-effect of the acceleration of tax revenue inflow in 1970 caused by the raising of taxation rates at the end of 1969 and the collection of substantial arrears; the effect of the reduction in the general rate of industrial profits tax from 18 to 15 per

OECD Economic Surveys

Table 20 General Government Financial Position
National accounts basis, standardized concepts

Million escudos
Annual average

	1962-64	1965-67	1968-70
CENTRAL GOVERNMENT			
Current saving	138	1 218	2 772
Gross fixed investment	-1 720	-1 718	-2 449
Capital transfers received, net	566	156	277
Lending (+) or borrowing (-), net	-1 017	-344	600
LOCAL GOVERNMENT			
Current saving	592	1 045	1 627
Gross fixed investment	-924	-1 264	-1 670
Capital transfers received, net	279	290	219
Lending (x) or borrowing (-), net	-53	71	176
SOCIAL SECURITY			
Current saving	660	895	1 881
Gross fixed investment	-173	-304	-166
Capital transfers received, net	3	8	6
Lending (+) or borrowing (-), net	490	599	1 721
General Government lending or borrowing on consolidated account	-580	326	2 497
As percentage of G.N.P.	-0,7 %	0,3 %	1,7 %

Source: Portuguese submission to the OECD.

cent; and the almost stationary trend of receipts from customs duties¹. It is true that as a result of measures taken in 1970, revenue from stamp duty and the tax on transactions rose steeply. Ordinary expenditure showed some deceleration, owing partly to the steep increase in government salaries in 1970. Extraordinary expenditure for the financing of the Third Plan's investment programmes rose sharply, however.

In accordance with the new economic policy options successively laid down since 1968, emphasis has been placed in various official statements and documents on the need for a more active budget policy. In practice, however, these intentions materialise very gradually. Better preparation of budget forecasts is an important prerequisite. The new classification of budget expenditures and receipts introduced in the 1972 budget is a step in the right direction, but the problem posed by the level of the initial forecasts still remains. In the past, the practice was to leave a very wide "safety margin" and tax receipts were heavily under-estimated (by over 30 per cent). The forecasts for total ordinary expenditure, however, were fairly close to the final out-turns. Towards the end of each year, the

1 Certain reductions in customs duties were introduced in 1971 in respect of various categories of imports (raw materials, capital goods, essential consumer goods).

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surplus of receipts over ordinary expenditure was usually assigned to the financing of extraordinary military expenditure or the Third Plan's investment programmes. More recently, it has also served to reduce borrowing.

The budget documents for 1972 contain a statement pointing out the drawbacks of this approach. In fact, this method has been progressively

Table 21 The Central Government Budget
Administrative basis, excluding autonomous funds and services
Billion escudos

	Old classification					New classification	
	1969	1970	1971	1970 ¹	1971 ¹	1971	1972
	Final Budget Results			Initial Forecasts			
TOTAL REVENUE	25.77	31.11	33.83	24.11	26.77	26.77	31.19
Ordinary revenue	24.63	29.73	32.28	22.03	24.52	24.52	28.70
Direct taxes	7.33	8.91	9.34	6.46	7.35	7.46	8.69
Indirect taxes	11.36	13.89	15.30	9.99	11.00	11.92	14.17
Other ordinary revenue	5.94	6.93	7.64	5.58	6.17	5.14	5.84
Extraordinary revenue ¹	1.14	1.38	1.55	2.08	2.25	2.25	2.49
TOTAL CURRENT EXPENDITURE	19.54	22.72	25.15	20.56	22.47		25.83 ³
Civilian	6.42	7.63	8.43	8.31	9.24		
Military	11.83	13.72	15.31	10.55	11.53		
Ordinary	3.42	4.24	4.46	4.18	4.48		
Extraordinary	8.41	9.48	10.85	6.37	7.05		
Interest on the public debt	1.29	1.37	1.41	1.70	1.70	*	1.66
CURRENT SAVING	6.23	8.39	8.68	3.55	4.30		5.36 ³
GROSS FIXED INVESTMENT AND GROSS LENDING	7.28	8.07	10.50	7.29	8.61		9.63 ³
OVERALL BALANCE of the budget (deficit = —)	-1.05	0.32	-1.82	-3.74	-4.31	-4.31	-4.27
Debt repayment (net)	-0.89	-0.95	-1.00	-0.94	-0.96	-0.96	-1.41
Treasury transactions (deficit = —)	-1.94	-0.63	-2.82	-4.68	-5.27	-5.27	-5.68
Domestic borrowing	1.69	0.96	1.43	3.87	5.22	5.22	5.33
Foreign borrowing	0.62	0.06	0.54	0.81	0.01	0.01	0.35
Utilisation of earlier balances of account	0.64	0.62	1.13	—	0.04	0.04	—
Sums carried forward to future budget years	-1.01	-1.01	-0.28	—	—	—	—

¹ In order to allow comparability with the final results, the initial forecasts published in the Budget have been slightly adjusted.

² Excluding balances for past budget years and utilisation of proceeds from public debt loans.

³ Figures relating to total current expenditure, current saving and investment are not available. The new classification makes a distinction between current expenditure and capital expenditure, but these categories are not strictly comparable with the previous ones. The value of current expenditure, according to the new classification, was nevertheless used to determine current saving and investment. For more details of the pattern of expenditure in 1972 see Table H in the statistical annex.

Source: Finance Ministry, Report on the Central Government accounts, 1969; Report on the Central Government Budget, 1971.

amended, but the budget forecasts are still not very realistic. They imply a decrease of 11 per cent in ordinary receipts by comparison with the final figure for 1971. The corresponding reduction implied by the 1971 forecasts was 17.5 per cent. In these circumstances, comparison of this year's forecasts with those of the previous year might prove even more hazardous than in the past. The current forecast show an increase of 18.9 per cent in receipts from indirect taxation and of 16.5 per cent in revenue from direct taxation. There is no significant change in tax rates. Current civilian expenditure is expected to rise by about 13.5 per cent. Expenditure on the investment programmes of the Third Plan should show a very appreciable acceleration. Military expenditure (extraordinary) is expected to slow down somewhat but, for the reasons explained earlier, these forecasts are not very meaningful. A considerable increase in expenditure on education is again envisaged.

Implementation of the Development Plan

The target of a 7 per cent average growth rate specified in the Plan for the period 1968-1973 has not been entirely achieved thus far. Indications that growth during the first three-year period was smaller than expected prompted the authorities to aim for a higher rate during the period 1971-1973 (about 7.5 per cent). But as mentioned earlier, there was a slowdown in activity during 1971, with the result that the average growth has been about 6.5 per cent. It is not very meaningful to compare the Plan's detailed projections by sector with the actual results, since the national accounts have been substantially revised (as in the case of construction; the estimate of value added in commerce is also being revised). Furthermore, the individual projections of the Plan (for a market economy) should not be regarded as economic policy goals. But certain more global projections, as in the case of agriculture, are more meaningful in terms of economic policy. For that sector, the Plan provided for a 3 per cent average growth intended to change the rather unsatisfactory trends of the past. In fact the actual growth over the past four years (in which there were two good and two bad harvests) is unlikely to have been more than 1.5 per cent. The overall growth of manufacturing output has also remained somewhat short of its target.

On the whole, implementation of the projects specially entered under the Plan's annual programmes¹ fell behind considerably during the period 1968-1970. No more than nearly 80 per cent of scheduled investments were carried out. It was above all in the fishing, agriculture, housing and tourism sectors that the performance was poorest. In rural development, on the other hand, results exceeded the forecasts. The need to catch up during the second three-year period caused more ambitious programmes to be drawn up, as evidenced by the value of investments scheduled for 1971

1 These are programmes at current prices covering projects financed largely by the public sector. Owing to the difficulties in evaluating private sector investment, both public and private investment in industry were excluded from the programmes as from 1969.

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Table 22 Investment programmes of the Third Development Plan
Billion escudos

	1968-1970		1971-1973	1971		1972
	Forecasts	Actual expenditure in %	Forecasts	Forecasts	Actual expenditure in %	Forecasts
BY SECTOR OF INVESTMENT¹						
Strategic sectors						
Agriculture and forestry	6.38	72.9	6.94	2.19	104.1	2.46
Fishing	1.04	60.6	0.86	0.27	51.5	0.31
Tourism	1.99	77.4	3.15	0.43	117.2	0.51
Infrastructure	19.76	85.8	36.98	11.12	64.4	12.51
Energy	7.72	87.0	11.19	3.29	61.7	3.24
Transport, communications, meteorology	11.98	85.5	24.66	7.43	68.0	8.86
Distribution channels	0.06	—	1.13	0.40	18.3	0.41
Social investment	9.31	80.6	12.83	3.81	76.3	4.37
Education, research, vocational training	2.74	84.3	3.64	1.02	78.3	1.29
Housing and town planning	4.34	68.9	5.16	1.86	53.1	1.83
Health and welfare	1.01	89.1	2.76	0.51	96.4	0.77
Rural development	1.21	115.7	1.27	0.43	148.5	0.48
BY SECTOR OF FINANCING						
General Government			21.31	6.66		8.15
Individuals and enterprises			16.64	5.46		4.33
Financial institutions			7.06	1.93		4.55
Foreign credit			8.74	1.88		1.76
Other			7.14	1.97		1.96
Total				..		..
Total, excluding mining and manufacturing industries	38.48		60.88	17.81		20.16 ²

1 Since expenditure plans for the whole of industry have not been issued as from 1969, this sector has not been taken into account in this table.

2 Including 0.55 billion escudos under investment plans for poles of development.

Source: Portuguese submission to the OECD.

and 1972. The provisional and incomplete estimates available concerning the execution of the programmes in 1971 suggest however that the rate of implementation was even lower than the average recorded for the previous three years. It is therefore unlikely that the Plan's initial targets in this area will be achieved, despite the authorities' desire to speed up the growth of this category of expenditure. This situation is probably attributable to poor preparation of the projects and administrative delays. Allowing for the rise in prices over the last few years, the real volume of investment in a number of areas is likely to be much smaller than foreseen.

IV CONCLUSIONS

The acceleration of economic growth witnessed in 1970 apparently gave way to a distinct slowdown in 1971. Although the statistics available do not allow any precise assessment of economic trends, it seems that unfavourable harvests, a weakening of activity in the construction sector and a smaller advance of exports were among the factors responsible for the reduced pace of expansion. Thus the overall growth and employment targets of the medium-term plan (for 1968-1973) have not so far been achieved. At the same time the current external surplus has been rising, while price increases have been considerable and have tended to accelerate. This set of developments raises difficult problems for economic policy.

The declared basic objective of the authorities to speed-up the growth of the economy can hardly be questioned. The 6 per cent average rise of real GNP in recent years exceeds only slightly the rates recorded in certain highly industrialised countries. Still more important, this pace of advance is unlikely to create new jobs in the more productive, higher-wage sectors of the economy in sufficient numbers so as gradually to reduce the substantial volume of emigration. More rapid expansion should, in principle, be feasible in view of the persistent balance of payments surpluses. Its achievement, however, cannot be sought by means of demand management in any simple way. In a country in the process of structural change, current policies are inextricably linked with problems of development: though particular branches or firms may show great dynamism (as witnessed by several success stories in Portugal) the weight of backward sectors like agriculture exerts a significant drag on overall growth; institutional and social obstacles to rapid expansion are important; and the formulation and application of development and growth policies imply profound changes in the organisation and operating methods of the public administration itself.

These considerations help to explain why the more expansionary orientation of policy since late 1968 has largely been translated into selective measures and accompanied by efforts to improve both institutional arrangements and policy instruments. They explain also why progress has been unequal in different directions. Monetary and credit policy has been generally expansionary. At the same time measures have been taken to encourage the financing of productive investment and to improve the conditions under which the money and capital markets function. But more remains to be done, for instance in the direction of greater flexibility of interest rate policy. The authorities have also aimed at gearing the budget more closely to current conditions of the economy and to the needs of development. Progress has been achieved, for example, in expanding public investment in important areas and providing fiscal incentives to private investment of a priority nature. Taxation policy, however, is not yet sufficiently integrated into overall demand management—as suggested by the, probably unintended, sizeable fiscal drag of 1970 which may have contributed to last year's slowdown. Moreover, the traditional methods of preparing the budget remain essentially unchanged (see Part III of the

Survey) and must seriously limit its use as an instrument of economic policy. But the new classification of revenue and expenditure introduced this year could be considered as a first step towards further improvements. The overall stance of fiscal policy is gradually becoming more responsive to the requirements of general economic policy.

The task of current management of the economy, necessarily combined with reform measures, is therefore complex. But the mounting pace of price inflation over the last couple of years has increased the difficulties and given urgency to certain policy issues. The price control and other emergency measures just announced by the Government may slow down somewhat the spiral of prices and costs in the short term. But lasting results can only be expected from more decisive types of action. Earlier OECD Surveys have described the developments which lie at the root of the present inflationary process. The prolonged lower-than-potential growth of output and productivity and the fact that domestic investment has been lower than national saving (with the excess saving being reflected in the external surplus) have added force to the pull of demand for labour emanating from industrialized countries. The large emigration of workers has put pressure on domestic wages and costs while their remittances—equivalent to some 8 per cent of national income—have increased consumers' demand. Other structural causes of price inflation have been operating at the same time, notably the low productivity of agriculture and the pressure on building prices exerted by urbanisation and the development of tourism.

In view of the nature of the inflationary problem, efforts to solve it by means of overall demand restraint—not crowned by great success in other Member countries—would be even less effective in the case of Portugal. And since it is nowadays evident that no retreat is possible from the Government's growth-oriented policy, it is important that measures to combat price rises should interfere as little as possible with the necessary expansion of investment and output. As pointed out in last year's Survey, however, there is probably significant scope for short-term action to enlarge supply and to reduce cost pressures. A reappraisal of indirect tax policy may be justified (an example is the levying of duties on imports of certain basic products the volume of which is in any case controlled by the authorities). And special measures to increase some categories of imports merit careful consideration. The rapid growth of invisible receipts has been the main cause of the perpetuation of the external surplus. But it has also generated additional demand at home for certain types of goods which cannot in the short-term be fully met from domestic sources.

The present difficulties should not be allowed to obscure the progress made already in certain important fields—for example the diversification of exports—or the economy's significant potential for further growth and development. The first "take-off" which occurred towards the end of the 1950's in response to external economic influences did not generate a sufficiently dynamic progress of development. The high proportion of national resources absorbed by defense expenditure has limited the scope for the application of policies promoting growth; but the adaptation of policy to changing conditions has also been slow, with the result that the

existing scope for action has not been fully used. In the late 1960's external impulses to the economy became more powerful, structural changes started accelerating and the authorities—taking cognizance of the risks of excessive emigration—adopted a more expansionary policy stance. If the new approach is effectively and consistently applied, there are good reasons to expect the process of economic development to gain momentum. But this process will also increasingly depend on Portugal's economic links with other OECD countries, especially in Europe. Hence the importance attached by the authorities to the negotiations concerning relations with the enlarged European Economic Community, which have just been concluded.

STATISTICAL ANNEX

Table A National Product and Expenditure
Million escudos

	Excluding direct taxes						Including direct taxes			
	1966	1967	1968	1969	1970	1971	1968	1969	1970	1971
<i>Current prices</i>										
Consumers' expenditure	87 314	92 662	109 590	117 647	135 604	147 539	111 873	120 096	138 339	150 423
Government current expenditure	14 647	17 669	19 579	21 214	25 761	27 566	19 579	21 214	25 761	27 566
Gross fixed asset formation	22 331	26 498	24 433	27 294	31 012	33 482	24 433	27 294	31 012	33 482
Change in stocks	-1 703	-405	22	693	-458	1 835	22	693	-458	1 835
DOMESTIC EXPENDITURE	122 589	136 424	153 624	166 848	191 919	210 422	155 907	169 297	194 654	213 306
Exports of goods and services (including factor income)	32 144	36 370	37 149	40 145	44 123	49 404	37 149	40 145	44 123	49 404
Imports of goods and services (including factor income)	36 922	39 329	43 955	46 406	55 317	62 707	43 955	46 406	55 317	62 707
GROSS NATIONAL PRODUCT AT MARKET PRICES	117 811	133 465	146 818	160 587	180 725	197 119	149 101	163 036	183 460	200 003
less: Net income from the rest of the world	324	592	609	935	889	415	609	935	889	415
GROSS DOMESTIC PRODUCT AT MARKET PRICES	117 487	132 873	146 209	159 652	179 836	196 704	148 492	162 101	182 571	199 588
less: Indirect taxes net of subsidies	9 675	11 724	13 010	14 929	17 624	19 944	13 010	14 929	17 624	19 944
GROSS DOMESTIC PRODUCT AT FACTOR COST	107 812	121 149	133 199	144 723	162 212	176 760	135 482	147 172	164 947	179 644
<i>1963 prices</i>										
Consumers' expenditure	76 303	78 539	90 093	90 743	100 741	106 586	91 892	92 424	102 545	108 375
Government current expenditure	13 709	15 580	16 890	17 437	19 650	20 394	16 890	17 437	19 650	20 394
Gross fixed asset formation	21 619	22 872	20 741	22 605	24 995	25 220	20 741	22 605	24 995	25 220
Change in stocks	-1 774	-455	171	345	-226	532	171	345	-226	532
DOMESTIC EXPENDITURE	109 857	116 536	127 895	131 130	145 160	152 732	129 694	132 811	146 964	154 521
Exports of goods and services (including factor income)	28 598	30 666	29 530	29 324	30 304	31 408	29 530	29 324	30 304	31 408
Imports of goods and services (including factor income)	32 849	33 161	34 940	33 898	37 993	39 865	34 940	33 898	37 993	39 865
GROSS NATIONAL PRODUCT AT MARKET PRICES	105 606	114 041	122 485	126 556	137 471	144 275	124 284	128 237	139 275	146 064
less: Net income from the rest of the world	288	500	484	683	610	264	484	683	610	264
GROSS DOMESTIC PRODUCT AT MARKET PRICES	105 318	113 541	122 001	125 873	136 861	144 011	123 800	127 554	138 665	145 800
less: Indirect taxes net of subsidies	8 610	9 885	10 342	10 906	12 104	12 679	10 342	10 906	12 104	12 679
GROSS DOMESTIC PRODUCT AT FACTOR COST	96 708	103 656	111 659	114 966	124 757	131 332	113 458	116 648	124 561	133 121

Source: Memorandum submitted to the OECD by the Portuguese Authorities.

Table B Origin of Gross Domestic Product at Factor Cost
Million escudos

	Excluding direct taxes						Including direct taxes			
	1966	1967	1968	1969	1970	1971	1968	1969	1970	1971
<i>Current prices</i>										
Agriculture, forestry and fishing	21 319	24 197	24 835	25 938	27 983	28 553	24 835	25 938	27 983	28 553
Mining and quarrying	693	751	815	825	916	757	815	825	916	757
Manufacturing	36 457	40 797	47 192	51 703	58 511	64 559	47 192	51 703	58 511	64 559
Electricity, gas and water	2 563	2 973	3 152	3 362	3 913	4 403	3 327	3 720	4 319	4 862
Construction	6 402	6 591	7 055	7 558	8 102	8 658	7 055	7 558	8 102	8 658
Transport and communications	6 033	6 714	7 376	8 872	9 891	10 726	7 677	9 176	10 193	11 032
Wholesale and retail trade	12 355	14 261	16 119	17 299	19 313	22 385	17 374	18 496	20 604	23 633
Banking, insurance and real estate	2 852	3 241	3 673	4 351	5 410	6 408	4 124	4 800	5 847	6 929
Ownership of dwellings	3 745	3 892	3 915	4 519	4 530	4 763	3 951	4 519	4 530	4 763
Public administration and defence	6 999	8 452	8 967	9 224	11 044	11 649	8 967	9 224	11 044	11 649
Other services	8 394	9 280	10 100	11 072	12 599	13 899	10 201	11 213	12 898	14 249
GROSS DOMESTIC PRODUCT AT FACTOR COST	107 812	121 149	133 199	144 723	162 212	176 760	135 482	147 172	164 947	179 644
<i>1963 prices</i>										
Agriculture, forestry and fishing	16 986	18 795	19 402	18 667	19 795	19 340	19 402	18 667	19 795	19 340
Mining and quarrying	463	505	630	578	606	490	630	578	606	490
Manufacturing	33 679	36 243	40 408	42 802	46 809	50 771	40 408	42 802	46 809	50 771
Electricity, gas and water	2 650	2 862	3 120	3 435	3 816	4 291	3 296	3 627	4 029	4 532
Construction	6 320	5 582	5 952	6 268	6 606	6 325	5 952	6 268	6 606	6 325
Transport and communications	5 312	5 750	6 211	6 795	7 978	8 626	6 398	6 978	8 173	8 829
Wholesale and retail trade	10 994	12 025	12 813	12 636	13 264	14 222	13 810	13 510	14 151	15 015
Banking, insurance and real estate	2 536	2 732	2 920	3 178	3 715	4 073	3 279	3 507	4 015	4 404
Ownership of dwellings	3 389	3 533	3 720	3 835	3 952	4 062	3 720	3 835	3 952	4 062
Public administration and defence	6 808	7 804	8 325	8 473	9 479	10 023	8 325	8 473	9 479	10 023
Other services	7 571	7 825	8 158	8 299	8 737	9 109	8 238	8 403	8 946	9 330
GROSS DOMESTIC PRODUCT AT FACTOR COST	96 708	103 656	111 659	114 966	124 757	131 332	113 458	116 648	126 561	133 121

Source: Memorandum submitted to the OECD by the Portuguese Authorities.

Table C Gross Domestic Fixed Asset Formation
Million escudos

	1964	1965	1966	1967	1968	1969	1970	1971
	<i>Current prices</i>							
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	16 587	18 543	22 331	26 498	24 433	27 294	31 012	33 482
Breakdown by product:								
Residential construction	3 370	3 728	4 705	6 482	3 629	4 322	4 441	4 845
Other construction	7 463	8 579	10 865	9 509	10 620	10 370	12 353	13 993
Equipment and machinery	5 754	6 236	6 761	10 507	10 184	12 602	14 218	14 644
Breakdown by branch of activity:								
Agriculture, forestry and fishing	1 425	1 401	1 544	1 955	2 042	2 193	2 131	2 212
Mining and quarrying	35	79	88	91	114	169	233	158
Manufacturing and construction	4 899	5 973	7 610	7 539	7 290	8 471	10 415	11 838
Electricity, gas, water	1 511	1 353	1 680	2 336	2 473	2 509	2 642	3 228
Transport and communications	2 410	2 846	3 150	3 994	4 252	4 191	5 560	5 908
Dwellings	3 370	3 728	4 705	6 482	3 629	4 323	4 443	4 846
Other services	2 937	3 163	3 554	4 101	4 633	5 438	5 588	5 292
Breakdown by sector:								
Public administration	2 678	2 493	2 620	2 921	3 371	3 813	3 865	4 339
Enterprises	13 909	16 050	19 711	23 577	21 062	23 481	27 147	29 143
	<i>1963 prices</i>							
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	16 671	18 417	21 619	22 872	20 741	22 605	24 995	25 220
Breakdown by product:								
Residential construction	3 409	3 764	4 659	5 503	3 076	3 600	3 640	3 555
Other construction	7 545	8 654	10 718	8 040	8 964	8 588	10 009	10 202
Equipment and machinery	5 717	5 999	6 242	9 329	8 701	10 417	11 346	11 463
Breakdown by branch of activity:								
Agriculture, forestry and fishing	1 420	1 371	1 438	1 662	1 700	1 772	1 618	1 590
Mining and quarrying	35	78	84	79	97	140	188	121
Manufacturing and construction	4 901	5 873	7 308	6 603	6 213	7 012	8 368	9 130
Electricity, gas, water	1 525	1 360	1 651	2 001	2 100	2 084	2 152	2 430
Transport and communications	2 432	2 833	3 049	3 469	3 616	3 475	4 507	4 422
Dwellings	3 409	3 764	4 659	5 503	3 076	3 601	3 641	3 556
Other services	2 949	3 138	3 430	3 555	3 939	4 521	4 521	3 971
Breakdown by sector:								
Public administration	2 693	2 493	2 573	2 493	2 858	3 177	3 158	3 215
Enterprises	13 978	15 924	19 046	20 379	17 883	19 428	21 837	22 005

Source: Memorandum submitted to the OECD by the Portuguese Authorities.

Table D Agricultural Production

	Unit	Average 1953- 1962	1965	1966	1967	1968	1969	1970	1971
Cereal production	100 tons								
Wheat	—	6 332	6 123	3 120	6 372	7 475	4 536	5 398	7 937
Rye, barley and oats	—	3 548	3 799	2 569	3 591	4 222	3 010	2 833	3 779
Maize	—	4 760	4 586	5 647	5 768	5 479	5 526	5 814	5 264
Rice	—	1 613	1 388	1 540	1 460	1 490	1 758	1 947	
Potatoes and vegetables									
Potatoes	—	10 540	8 880	9 233	12 957	10 831	11 264	12 200	11 239
Broad beans, French beans, chick-peas	—	1 080	938	1 054	1 164	1 124	1 006	1 004	1 047
Wine	1 000 hl	10 745	14 749	8 928	9 740	11 690	8 081	11 328	8 835
Olive oil	—	918	788	414	879	581	790	735	446
Cattle slaughtered	tons	88 642	110 245	122 666	102 119	127 098	155 929	156 119	144 702
Horned cattle	—	38 766	57 566	61 063	50 319	58 535	79 908	88 851	76 350
Sheep and goats	—	11 509	11 516	12 107	12 257	14 331	14 174	14 947	11 703
Hogs	—	38 367	41 163	49 496	39 543	54 232	61 847	52 321	56 649
Milk	1 000 l		501 734	474 855	469 944	516 362	559 585	576 788	
Butter	tons		1 975	1 515	1 472	2 121	2 169	1 996	
Cheese	—		23 020	19 480	19 943	18 653	19 798	20 672	
Fish landings	—	312 870	404 596	360 875	400 484	355 794	319 051	352 004	328 149
of which: Sardine	—	120 044	137 762	124 830	114 696	79 526	64 103	69 158	84 408
Cod	—	69 388	71 280	71 217	97 312	79 413	62 699	66 256	56 961

Sources : Annual Reports of the Bank of Portugal; National Statistics Institute, Food and Agricultural Statistics.

Table E Industrial Production
Seasonally adjusted indices, 1963 = 100

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
MONTHLY INDICES											
January	94.0	98.6	95.6	105.3	111.2	119.4	115.7	120.1	134.5	143.1	130.7
February	93.8	98.4	97.7	100.7	115.2	120.6	114.1	121.4	137.0	143.7	136.8
March	99.9	93.8	98.3	102.2	111.5	125.4	115.2	123.2	134.6	142.6	140.1
April	98.4	92.4	98.2	105.2	114.0	126.5	116.1	120.5	132.0	148.4	145.2
May	97.3	95.3	100.5	106.5	113.3	123.6	111.9	125.4	134.1	137.6	142.7
June	96.0	100.0	97.1	111.6	110.4	118.9	125.3	120.6	136.9	150.9	152.0
July	95.3	97.4	97.8	111.6	115.0	118.5	117.2	124.2	131.7	145.7	148.9
August	91.8	98.8	99.1	108.3	114.4	121.5	119.3	125.7	134.5	138.0	136.3
September	95.7	96.8	102.8	108.6	113.5	115.2	119.1	128.0	139.6	139.4	139.1
October	96.7	93.7	102.1	111.1	113.9	115.3	122.9	126.9	139.7	136.1	130.9
November	94.3	98.0	102.7	115.4	115.1	117.0	123.1	126.4	137.5	150.8	
December	95.1	94.8	108.8	113.1	123.5	116.6	116.5	132.6	138.0	144.5	
ANNUAL AVERAGE¹	95.5	96.4	100.0	108.6	114.2	119.7	117.8	124.9	135.8	143.3	
ANNUAL INDICES²	87.6	92.4	100.0	111.7	118.6	126.9	133.8	147.6	162.8		

1 The annual average was obtained from non seasonally adjusted indices.

2 Annual indices have a wider coverage than the monthly indices.

Source: OECD: Industrial Production Statistics and Main Economic Indicators.

Table F Prices and Wages
Indices, 1963 = 100

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Consumer prices										
Lisbon	98.0	100.0	103.4	107.0	112.4	118.6	125.8	136.9	145.6	163.0
Porto	98.2	100.0	103.5	107.9	115.7	120.8	128.2	142.5	146.7	158.3
Coimbra	98.6	100.0	102.3	105.5	111.7	114.4	121.0	130.7	135.8	149.3
Evora	96.2	100.0	103.8	106.6	113.0	118.2	123.3	130.2	139.2	153.6
Viseu	98.6	100.0	101.8	106.8	114.5	118.0	123.2	128.9	137.0	152.6
Faro	100.2	100.0	102.1	115.1	127.5	133.1	140.6	149.9	157.0	172.7
Wholesale prices (Lisbon)										
Manufactured products	102.8	100.0	100.9	102.8	111.2	117.8	117.8	118.7	118.7	122.4
Food products	96.4	100.0	102.7	107.1	112.5	112.5	114.3	121.4	124.1	130.4
Wages in agriculture (men)	94.9	100.0	113.7	120.0	139.7	153.4	181.8	195.7	221.5	254.4
Wages in industry										
Lisbon	95.1	100.0	104.7	110.6	119.5	129.6	140.9	157.0	175.7	194.5
Porto	96.2	100.0	107.2	119.9	133.0	147.7	159.6	175.5	193.9	219.7

Source: Annual Reports of the Bank of Portugal.

Table G General Government Revenue and Expenditure
National Accounts Basis, Standardised Concepts
Billion escudos

	1962	1963	1964	1965	1966	1967	1968	1969	1970 ^a
CENTRAL GOVERNMENT									
Current revenue	11.72	12.34	13.43	16.13	17.49	20.05	22.80	25.79	31.19
Taxes and current transfers received	11.36	11.94	12.73	15.46	16.78	19.03	21.73	24.83	30.12
Income from property and entrepreneurship	0.36	0.40	0.70	0.67	0.71	1.02	1.07	0.96	1.07
Current expenditure	11.79	12.19	13.11	14.81	16.15	19.06	21.29	22.68	27.51
Goods and services	9.72	10.05	10.87	11.85	13.06	15.67	17.16	18.66	22.28
Current transfers paid	2.07	2.14	2.24	2.96	3.09	3.39	4.13	4.02	5.23
CURRENT SAVING	-0.06	0.15	0.32	1.33	1.34	0.99	1.52	3.11	3.68
Net capital transfers paid (—)	1.41	0.34	-0.04	0.07	0.30	0.11	0.34	-0.03	0.51
Gross fixed investment	1.37	1.88	1.92	1.70	1.63	1.83	2.22	2.59	2.53
NET BORROWING (—) OR LENDING	-0.02	-1.39	-1.64	-0.31	0.01	-0.73	-0.36	0.29	1.44
Lending	+3.10	+1.18	+1.80	+0.99	+1.23	+1.71	+1.48	+1.97	+1.75
Borrowing at home	-1.81	-1.50	-1.63	-2.14	-1.62	-1.28	-1.10	-0.88	-1.22
Borrowing abroad	-1.66	-0.58	-1.95	-0.52	-0.47	+0.10	+0.56	+0.24	+0.31
Increase (+) or decrease (—) of cash reserves	+0.35	-0.49	+0.14	+1.36	+0.86	-1.27	-1.32	-1.04	+0.60
CONSOLIDATED ACCOUNT OF GENERAL GOVERNMENT									
Current revenue	15.78	16.85	18.48	21.83	24.39	27.57	31.31	35.84	42.90
Taxes and current transfers received	15.02	16.02	17.32	20.64	23.12	25.93	29.56	34.11	40.92
Income from property and entrepreneurship	0.76	0.83	1.17	1.18	1.26	1.63	1.75	1.73	1.98
Current expenditure	14.69	15.45	16.81	19.00	20.93	24.37	27.10	28.97	35.13
Goods and services	10.80	11.21	12.13	13.20	14.65	17.67	19.58	21.21	25.76
Current transfers paid	3.89	4.23	4.68	5.81	6.29	6.70	7.52	7.76	9.37
CURRENT SAVING	1.09	1.40	1.67	2.82	3.45	3.20	4.21	6.87	7.76
Net capital transfers paid	1.66	0.58	0.30	0.41	0.54	0.41	0.52	0.21	0.78
Gross fixed investment	2.28	3.11	3.06	2.94	3.45	3.46	3.81	4.58	4.47
NET BORROWING (—) OR LENDING	0.48	-1.13	-1.09	0.29	0.54	0.15	0.88	2.26	3.41
Lending	+3.64	+1.24	+2.18	+1.39	+2.01	+2.05	+1.78	+2.81	+2.33
Borrowing at home	-1.35	-0.79	-1.19	-1.43	-0.86	-0.57	-0.46	-0.34	-0.86

Borrowing abroad	-1.66	-0.58	-1.95	-0.52	-0.47	+0.10	+0.56	+0.24	+0.31
Increase (+) or decrease (-) of cash reserves	-0.15	-1.01	-0.13	+0.85	-0.14	-1.43	-1.00	-0.45	+1.63

1 Estimated.

Source: Public Finance Statistics, National Statistics Institute 1970.

Table H Central Government Budget¹
Billion escudos

	1970	1971		1972	
	Value	Value	Percentage increase over previous year	Value	Percentage increase over previous year
REVENUE	22.03	24.52	11.3	28.70	17.0
Direct taxes	—	7.46	—	8.69	16.5
Indirect taxes	—	11.92	—	14.17	18.9
Other ordinary revenue	—	5.14	—	5.84	13.6
ORDINARY EXPENDITURE	17.85	19.62	9.9	22.06	12.4
Service of national debt	2.64	2.66	0.8	3.07	15.4
Amortization	0.94	0.96	2.1	1.41	46.9
Interest	1.70	1.70	0.0	1.66	-2.4
Military expenditure ²	3.45	3.73	8.1	3.97	6.4
Other	11.76	13.23	12.5	15.02	13.5
BALANCE	4.18	4.90		6.64	
EXTRAORDINARY REVENUE	6.77	7.53	11.2	8.17	8.5
Borrowing	4.68	5.23		5.68	
Domestic	3.87	5.22		5.33	
Foreign	0.81	0.01		0.35	
Carried forward from previous budget years	—	0.04		—	
Other extraordinary revenue	2.09	2.26		2.49	
EXTRAORDINARY EXPENDITURE	10.95	12.43	13.5	14.81	19.1
Defence	6.35	7.03	10.7	7.58	7.8
3rd Development Plan	4.37	4.95	13.3	6.19	25.1
Other	0.23	0.45		1.04	

1 According to the new classification.

2 Total of budgets of the Ministries of the Marine and the Army, the National Defence Department and the Secrétariat of State of Aeronautics.

Source : Central Government Budget.

Table I The Money Supply and its Counterparts
In million escudos at end of period

	1965	1966	1967	1968	1969	1970	1971
TOTAL MONEY SUPPLY	93 506	104 053	115 588	130 980	153 670	172 262	203 102
Money	74 181	82 839	88 583	94 673	107 014	111 164	126 630
Notes and coins in circulation	22 095	23 519	24 296	25 337	26 669	29 711	31 903
Sight deposits	52 086	59 320	64 287	69 336	80 345	81 453	94 727
Quasi-money	19 325	21 214	27 005	36 307	46 656	61 098	76 472
COUNTERPARTS							
Gold and foreign exchange reserves	32 074	35 442	40 037	44 961	47 230	49 424	57 124
IMF	449	561	561	561	561	561	876
Banking credits	62 475	70 815	76 108	87 175	105 933	125 866	154 637
Portfolio investment	11 237	11 703	12 701	12 918	13 927	15 949	15 727
Overseas provinces compensation account	441	326	357	445	477	431	258
Miscellaneous	-13 170	-14 794	-14 176	-15 080	-14 458	-19 969	-25 520

Source: Annual Reports of the Bank of Portugal.

Table J Breakdown of Banking Credits
Credits outstanding at end of period
Million escudos

	1965	1966	1967	1968	1969	1970	1971	1971			
								I	II	III	IV
SECTOR											
Private sector	57 610	66 564	70 800	82 587	101 550	120 805	148 430	121 217	127 526	133 573	148 430
Public sector	3 675	3 103	4 446	3 020	3 342	3 630	4 581	4 130	4 528	4 458	4 581
Miscellaneous ¹	1 190	1 148	862	1 568	1 041	1 431	1 626	1 377	1 491	1 479	1 626
SOURCE OF FINANCE											
Commercial banks	41 922	48 725	54 164	63 267	78 136	89 537	111 016	90 732	95 835	100 536	111 016
CGDCP ² and saving banks	13 972	15 629	16 334	17 658	20 030	26 064	32 907	27 027	28 398	29 985	32 907
Bank of Portugal ³	6 281	6 200	5 666	5 688	7 839	10 244	10 422	8 964	9 205	9 051	10 422
METHOD OF FINANCING											
Commercial portfolio	37 482	40 597	45 315	52 595	66 889	78 775	96 664	77 825	82 225	86 674	96 664
Loans and other credit operations (in escudos)	24 993	30 218	30 793	34 580	39 044	47 091	57 973	48 899	51 320	52 836	57 973
TOTAL	62 475	70 815	76 108	87 175	105 933	125 866	154 637	126 724	133 545	139 510	154 637

NOTE The total of the intermediate breakdown (by source of finance) is not exactly the same as the totals of the other two breakdowns.

1 Including adjustment item.

2 Caixa Geral de Depositos, Credito e Previdencia.

3 Net of credit to monetary sector.

Source: Annual Reports of the Bank of Portugal and Quarterly Returns.

Table K Interest Rate Structure
Maximum rates in %

	1965 18th August	1967 7th September	1970 25th April	1971 6th February
DEPOSIT RATES				
Commercial Banks				
Sight	0.5	0.5 ⁵ -1.0 ⁶	1.0	1.0
Prior notice or time:				
less than 15 days	1.0	0.5 ⁵ -1.0 ⁶	1.0	1.0
15-29 days	1.25	1.0 ⁵ -2.0 ⁶	2.0	2.25
30-89 days	2.5	2.5	3.0	3.25
90-179 days	3.0	3.0	4.0	4.25
180 days to 1 year	3.5	4.0	5.0	5.25
Special credit institutions¹				
Sight	1.25-2.0 ⁴	0.5 ⁵ -2.0 ⁷	1.0-3.0 ⁷	1.0 ⁵ -3.0 ⁷
Prior notice or time:				
less than 15 days	} 1.25-2.0 ⁴	0.5 ⁵ -2.0 ⁷	1.0-3.0 ⁷	1.0 ⁵ -3.0 ⁷
15-29 days		1.0 ⁵ -2.0 ⁶	2.0	2.25
30-89 days	} 2.5	2.5	3.0	3.25
90-179 days	} 3.5	3.0	4.0	4.25
180 days to 1 year	} 4.0	4.0	5.0	5.25
more than 1 year	—	4.5	5.5	5.75
more than 2 years	—	—	6.5	6.75
LENDING RATES				
Central Bank				
Discount	3.0	3.0	3.5	3.75
Re-discount: Normal rate	2.5	2.5	3.5	3.75
Special rate ²	—	—	2.75	2.75
Special scheme ³	—	—	2.0	2.0
Other credit institutions (discount and loans)				
3 months	} 4.5	4.5	5.25	5.5
3-6 months		5.0	6.0	7.0
6 months to 1 year	5.0	5.5	6.0	6.25
1 to 2 years	5.5	6.0	6.75	7.0
2 to 5 years	} 6.5	6.5	7.25	7.5
Between 5 and 7 years				7.75
More than 7 years	—	—	—	8.0

1 Investment banks, savings banks, credit co-operatives and state institutions ("Caixa Geral de Depósitos, Créditos e Previdência").

2 Transactions concerning either the acquisition of capital goods produced by State-owned industries, or raw materials used by those industries, or the purchase of essential consumer goods.

3 Export credits and medium-term credits under the special scheme (loans the commercial banks can make from certain resources such as: time deposits of more than 180 days, the product of bond issues, funds obtained from special credit establishments or foreign credit establishments).

4 Deposits up to 20 000 escudos.

5 Deposits by companies.

6 Deposits by individuals.

7 Deposits up to 50 000 escudos.

Source: Memorandum submitted to the OECD by the Portuguese Authorities.

Table L Securities Issues
Million escudos

	1963	1964	1965	1966	1967	1968	1969	1970
A. SHARES								
Total gross issues	1 702	3 155	5 905	4 657	3 404	3 542	4 702	4 631
Private non-financial enterprises	1 396	2 314	5 668	4 066	3 031	2 909	3 392	3 702
Financial institutions	306	841	237	591	373	633	1 310	929
B. BONDS								
Total gross issues	1 770	1 691	1 075	1 072	1 805	1 122	1 673	1 783
Total net issues	1 635	1 579	751	521	840	313	700	782
Central Government	1 335	1 459	766	150	328	49	351	526
State and Local Government	—	—	—	—	—	—	200	200
Public non-financial enterprises	—	—	26	32	110	—	125	50
Private non-financial enterprises	318	127	-63	308	378	324	59	42
Financial institutions	-18	-7	22	31	24	-60	-35	-36
C. CENTRAL GOVERNMENT DEBT CERTIFICATES	418	470	370	133	128	35	450	400
<i>Memorandum items:</i>								
Net issues by open-end investment companies	—	—	166	297	-56	-46	52	-103
Gross international issues abroad by residents-bonds	374	578	575	834	977	431	—	—

Source: OECD Financial Statistics, 4 1971.

Table M Breakdown by Nationality of Foreign Visitors

	1963	1964	1965	1966	1967	1968	1969	1970	1971
TOTAL	514 069	1 007 671	1 509 796	1 929 498	2 516 707	2 510 668	2 785 368	3 342 887	3 867 025
Germany	29 638	42 633	59 253	79 764	82 700	88 610	113 185	133 050	170 290
Argentina	3 619	20 433	24 735	25 319	27 033	27 043	35 782	37 508	35 109
Belgium	9 690	12 272	19 710	24 516	25 363	23 832	32 245	32 793	39 572
Brazil	14 960	20 887	24 467	48 187	44 144	49 802	56 826	66 588	74 913
Canada	7 738	11 944	16 724	20 500	22 024	31 136	38 575	47 377	51 945
Spain	132 805	298 987	591 900	836 053	1 399 747	1 344 782	1 374 158	1 712 554	2 055 865
United States	87 074	144 982	184 954	224 572	234 216	236 897	304 097	354 717	366 139
France	88 263	131 409	178 338	184 689	166 761	140 135	168 135	203 769	215 401
Netherlands	13 710	17 143	20 775	26 826	25 429	29 528	40 552	41 583	47 656
Italy	11 858	42 702	48 472	54 674	73 490	79 307	88 899	79 406	83 330
United Kingdom	61 443	169 607	219 881	253 615	255 198	289 442	339 474	406 157	457 340
Sweden	6 627	7 169	10 011	13 710	18 821	15 372	20 201	26 792	35 371
Switzerland	8 895	12 906	16 166	24 377	22 417	23 638	32 772	32 482	39 001
Other countries	37 749	74 597	94 410	112 696	119 364	131 144	140 467	168 111	195 093

Sources: National Statistics Institute, Tourism Statistics.

Table N Foreign Trade by Main Commodity Groups 1960-1970
Million US dollars

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
IMPORTS, TOTAL	655.9	585.3	656.1	776.3	923.3	1 022.8	1 059.2	1 178.4	1 296.1	1 582.4	1 823.0
Food and beverages	76.4	71.2	79.6	96.8	104.9	141.8	157.1	147.4	150.6	180.2	232.9
Basic materials	179.8	171.7	206.3	224.9	264.8	235.6	256.1	283.7	305.3	342.4	370.8
Manufactures											
Chemicals	59.1	55.3	62.9	73.2	82.3	88.7	95.5	111.7	134.3	158.9	177.8
Goods classified chiefly by material	124.6	97.8	105.8	160.7	190.6	210.2	207.5	237.1	266.5	353.8	374.8
Machinery and transport equipment	196.3	168.0	177.2	189.9	250.7	311.6	303.3	352.7	386.4	478.0	580.1
Miscellaneous	16.4	15.3	16.8	22.0	29.8	34.6	39.3	45.6	52.8	68.7	86.2
Unspecified	2.9	5.9	7.5	8.9	0.2	0.3	0.3	0.2	0.2	0.3	0.4
EXPORTS, TOTAL	325.9	369.8	418.1	515.7	576.4	619.5	701.4	761.2	853.0	949.5	1 052.2
Food and beverages	90.7	95.0	104.5	116.4	140.4	145.2	164.9	174.8	169.9	177.0	182.3
Basic materials	59.8	67.6	66.8	75.0	78.9	82.2	81.5	108.9	128.1	162.6	159.1
Manufactures											
Chemicals	22.1	25.0	32.4	40.8	40.3	44.5	46.3	45.7	51.9	69.5	75.0
Goods classified chiefly by material	129.9	151.5	171.8	223.6	244.5	264.1	297.0	294.6	337.8	335.1	381.8
Machinery and transport equipment	10.1	10.9	13.0	16.5	20.1	26.8	35.8	44.0	60.2	79.6	102.2
Miscellaneous	11.9	15.3	24.4	36.3	44.4	49.5	66.6	83.4	93.1	112.2	139.0
Unspecified	1.0	4.6	5.4	7.1	8.0	7.2	9.2	9.8	12.0	13.5	12.8

NOTE Due to rounding, detail may not add to total.

SITC groups:

 Food and beverages: 0, 1
 Basic materials: 2, 3, 4
 Manufactures: 5, 6, 7, 8
 Chemicals: 5

 Goods classified chiefly by material: 6
 Machinery and transport equipment: 7
 Miscellaneous: 8
 Unspecified: 9

Source: OECD, Foreign Trade Statistics, Series B.

Table M Breakdown by Nationality of Foreign Visitors

	1963	1964	1965	1966	1967	1968	1969	1970	1971
TOTAL	514 069	1 007 671	1 509 796	1 929 498	2 516 707	2 510 668	2 785 368	3 342 887	3 867 025
Germany	29 638	42 633	59 253	79 764	82 700	88 610	113 185	133 050	170 290
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Belgium	9 690	12 272	19 710	24 516	25 363	23 832	32 245	32 793	39 572
Brazil	14 960	20 887	24 467	48 187	44 144	49 802	56 826	66 588	74 913
Canada	7 738	11 944	16 724	20 500	22 024	31 136	38 575	47 377	51 945
Spain	132 805	298 987	591 900	836 053	1 399 747	1 344 782	1 374 158	1 712 554	2 055 865
United States	87 074	144 982	184 954	224 572	234 216	236 897	304 097	354 717	366 139
France	88 263	131 409	178 338	184 689	166 761	140 135	168 135	203 769	215 401
Netherlands	13 710	17 143	20 775	26 826	25 429	29 528	40 552	41 583	47 656
Italy	11 858	42 702	48 472	54 674	73 490	79 307	88 899	79 406	83 330
United Kingdom	61 443	169 607	219 881	253 615	255 198	289 442	339 474	406 157	457 340
Sweden	6 627	7 169	10 011	13 710	18 821	15 372	20 201	26 792	35 371
Switzerland	8 895	12 906	16 166	24 377	22 417	23 638	32 772	32 482	39 001
Other countries	37 749	74 597	94 410	112 696	119 364	131 144	140 467	168 111	195 093

Sources: National Statistics Institute, Tourism Statistics.

Table N Foreign Trade by Main Commodity Groups 1960-1970
Million US dollars

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
IMPORTS, TOTAL	655.9	585.3	656.1	776.3	923.3	1 022.8	1 059.2	1 178.4	1 296.1	1 582.4	1 823.0
Food and beverages	76.4	71.2	79.6	96.8	104.9	141.8	157.1	147.4	150.6	180.2	232.9
Basic materials	179.8	171.7	206.3	224.9	264.8	235.6	256.1	283.7	305.3	342.4	370.8
Manufactures											
Chemicals	59.1	55.3	62.9	73.2	82.3	88.7	95.5	111.7	134.3	158.9	177.8
Goods classified chiefly by material	124.6	97.8	105.8	160.7	190.6	210.2	207.5	237.1	266.5	353.8	374.8
Machinery and transport equipment	196.3	168.0	177.2	189.9	250.7	311.6	303.3	352.7	386.4	478.0	580.1
Miscellaneous	16.4	15.3	16.8	22.0	29.8	34.6	39.3	45.6	52.8	68.7	86.2
Unspecified	2.9	5.9	7.5	8.9	0.2	0.3	0.3	0.2	0.2	0.3	0.4
EXPORTS, TOTAL	325.9	369.8	418.1	515.7	576.4	619.5	701.4	761.2	853.0	949.5	1 052.2
Food and beverages	90.7	95.0	104.5	116.4	140.4	145.2	164.9	174.8	169.9	177.0	182.3
Basic materials	59.8	67.6	66.8	75.0	78.9	82.2	81.5	108.9	128.1	162.6	159.1
Manufactures											
Chemicals	22.1	25.0	32.4	40.8	40.3	44.5	46.3	45.7	51.9	69.5	75.0
Goods classified chiefly by material	129.9	151.5	171.8	223.6	244.5	264.1	297.0	294.6	337.8	335.1	381.8
Machinery and transport equipment	10.1	10.9	13.0	16.5	20.1	26.8	35.8	44.0	60.2	79.6	102.2
Miscellaneous	11.9	15.3	24.4	36.3	44.4	49.5	66.6	83.4	93.1	112.2	139.0
Unspecified	1.0	4.6	5.4	7.1	8.0	7.2	9.2	9.8	12.0	13.5	12.8

NOTE Due to rounding, detail may not add to total.

SITC groups:

 Food and beverages: 0, 1
 Basic materials: 2, 3, 4
 Manufactures: 5, 6, 7, 8
 Chemicals: 5

 Goods classified chiefly by material: 6
 Machinery and transport equipment: 7
 Miscellaneous: 8
 Unspecified: 9

Source: OECD, Foreign Trade Statistics, Series B.

Table O Geographical Breakdown of Foreign Trade, 1963-1971
Million escudos

	1963	1964	1965	1966	1967	1968	1969	1970	1971
<i>Exports</i>									
TOTAL	12 024	14 831	16 573	17 812	20 166	21 917	24 526	27 299	30 252
OECD Countries	7 275	9 358	10 714	11 623	13 162	14 313	16 682	18 347	21 402
United States	1 411	1 559	1 755	2 032	2 027	2 309	2 314	2 374	2 928
EFTA	2 637	3 737	4 451	5 002	6 712	7 307	8 809	9 671	11 257
United Kingdom	1 627	2 340	2 922	3 327	4 330	4 611	5 158	5 570	6 751
Sweden	350	526	556	559	944	1 138	1 402	1 450	1 669
Other EFTA Countries	660	871	973	1 116	1 438	1 558	2 249	2 651	2 837
EEC	2 637	3 070	3 436	3 464	3 356	3 645	4 411	5 005	5 728
Germany	904	1 125	1 339	1 134	1 073	1 258	1 570	1 728	1 889
France	607	741	764	905	937	1 006	1 278	1 245	1 357
Italy	527	436	487	591	494	490	636	834	797
Netherlands	273	399	445	438	474	475	498	758	856
Belgium-Luxembourg	326	369	401	396	378	416	429	440	828
Other OECD Countries	590	991	1 072	1 125	1 067	1 052	1 148	1 297	1 489
Non-OECD Countries	4 749	5 473	5 859	6 189	7 004	7 604	7 844	8 952	8 850
including: Escudo Area	2 858	3 706	4 140	4 197	4 917	5 476	6 080	6 688	6 490
<i>Imports</i>									
TOTAL	18 866	22 377	26 553	29 406	30 453	33 858	37 262	45 494	52 412
OECD Countries	12 974	15 715	18 681	21 054	21 391	23 631	26 502	33 216	38 658
United States	1 670	2 364	2 151	2 346	2 094	2 469	1 814	3 251	3 614
EFTA	4 113	4 762	5 682	6 740	6 964	7 483	8 984	11 023	13 040
United Kingdom	2 588	3 007	3 448	4 024	4 165	4 410	5 168	6 369	7 150
Sweden	423	461	654	967	770	859	948	1 201	1 404
Other EFTA Countries	1 102	1 294	1 580	1 749	2 029	2 214	2 868	3 453	4 486
EEC	6 507	7 355	9 260	10 098	10 200	11 342	12 786	15 048	17 175
Germany	2 867	3 400	4 322	4 486	4 591	5 289	5 861	7 050	8 204
France	1 511	1 579	1 998	2 208	2 092	2 348	2 675	3 176	3 469
Italy	757	990	1 359	1 564	1 763	1 999	2 128	2 432	2 731
Netherlands	692	662	667	834	906	855	1 018	1 132	1 306
Belgium-Luxembourg	680	724	914	1 006	848	851	1 104	1 258	1 465
Other OECD Countries	684	1 233	1 588	1 870	2 133	2 337	2 918	3 894	4 829
Non-OECD Countries	5 892	6 662	7 872	8 352	9 062	10 227	10 760	12 278	13 754
including: Escudo Area	2 701	3 325	3 651	3 943	4 352	5 343	5 599	6 717	6 944

Source: National Statistics Institute, Monthly Bulletin of Statistics.

Table P Balance of Payments of Escudo Area, 1964-1971¹
 Million US dollars

	1964	1965	1966	1967	1968	1969	1970	1971 ²
Exports	636	632	684	769	845	923	1 053	1 178
Imports	818	956	1 075	1 147	1 289	1 428	1 699	1 962
Trade balance	-182	-324	-391	-378	-444	-505	-646	-784
Services, net	120	178	270	282	224	163	223	336
Travel	70	88	185	196	144	101	134	195
Transport	-1	5	-2	-1	9	24	32	72
Insurance	-3	—	-3	-2	-5	-5	-6	-13
Investment income	-13	-13	-11	-10	-13	-11	-9	-13
Government transactions	17	20	42	37	25	13	5	14
Other services	50	78	59	62	64	41	67	68
Private transfers	78	108	159	211	265	397	486	656
Current balance	16	-38	38	115	45	55	63	208
Long-term capital	101	47	106	107	105	38	45	84
Private	38	27	87	99	88	33	46	81
Official	63	20	19	8	17	5	-1	3
Short-term and unrecorded	-7	60	-10	-12	-7	-38	-20	-8
Balance on non-monetary transactions	110	69	134	210	143	55	88	284
Private monetary institutions	7	-25	-5	-59	-8	-5	-39	56
Balance on official settlements	117	44	129	151	135	50	49	340
Miscellaneous official assets and liabilities, net	18	10	14	10	10	19	2	6
Change in reserves	135	54	143	161	145	69	51	346
Gold	16	46	66	57	157	23	23	19
Foreign exchange	119	8	73	104	-12	46	28	317
IMF position	—	—	4	—	—	—	—	10

¹ Only since 1964 have the Portuguese Authorities published balance of payments data based on IMF-OECD pattern. Transactions with the overseas provinces are registered on a settlements basis.

² Provisional.

Sources: Memorandum submitted to the OECD by the Portuguese Authorities and the 1971 annual report of the Bank of Portugal.

Basic Statistics : International Comparisons

			Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia ¹⁵
POPULATION		End of 1970	7 398	9 691	21 561	4 951	4 603 ¹	51 027	61 846	8 793 ³	205.1	2 955	54 683	103 990	339.8	13 119	3 892	9 701 ³	33 824	8 083	6 205	35 688	(55 930)	206 017	(20 540)
	Net average annual increase	1960 to 1970	0.47	0.54	1.77	0.75	0.35	1.06	1.04	0.55 ⁶	1.46	0.44	0.82	1.06	0.76	1.28	0.80	0.91 ⁶	1.06	0.75	1.34	2.50	(0.59)	1.23	(1.05)
EMPLOYMENT	Total civilian	1970	3 142	3 747	7 879	2 325	2 142	20 410	26 705	(3 695)	79	1 058	18 774	50 940	144	4 567	1 497	3 030	12 372	3 854	2 900	(13 639)	24 709	78 627	3 765 ⁵
	Agriculture		18.3	4.8	7.7	11.4	22.7	14.0	9.0	47.2	19.0	27.5	19.6	17.4	11.1	7.2	13.9	33.0	29.6	8.1	6.7	71.5	2.9	4.4	8.2
	Industry ⁷	% of total	41.0	44.7	31.4	37.4	35.5	38.8	50.3	22.4	36.7	30.0	43.7	35.7	46.5	41.0	37.3	35.7	37.4	38.4	49.4	11.8	46.6	32.3	46.7
	Other		40.7	50.4	60.9	51.2	41.8	47.1	40.7	30.5	44.3	42.5	36.7	46.9	42.4	51.8	48.8	31.2	33.0	53.5	43.9	16.8	50.6	63.3	45.1
PRODUCTION	GNP per head	1970	1 940	2 670	3 550	3 160	2 220	2 920	3 040	1 060	2 340	1 320	1 700	1 910	2 940	2 400	2 940	640	960	3 840	3 240	360	2 170	4 840	561 ²
	GDP by sector: Agriculture	1970	6.9	4.5	4.6 ²¹¹	7.9	14.1	6.0 ²¹¹	3.1 ¹¹	20.3 ²	..	17.8 ²	10.3	8.7 ^{2 12 13}	4.1	7.0 ²	6.3	17.3	13.3	3.7 ¹¹	6.4 ¹⁰	31.0 ¹³	3.1 ¹⁴	3.0 ¹¹	19.3
	Industry	% of total	48.5	42.6	32.1 ^{2 11}	40.1	42.4	48.1 ^{2 11}	54.2 ¹¹	28.2 ²	..	35.2 ²	40.5	39.1 ^{2 12 13}	56.9	41.6 ²	39.9	44.0	35.5	36.8 ¹¹	49.6 ¹⁰	27.0 ¹³	44.4 ¹⁴	34.9 ¹¹	41.1
	Other		44.6	53.0	63.4 ^{2 11}	52.0	43.5	45.9 ^{2 11}	42.6 ¹¹	51.5 ²	..	47.0 ²	49.2	52.2 ^{2 12 13}	39.1	51.4 ²	53.7	38.7	51.2	59.4 ¹¹	44.0 ¹⁰	42.0 ¹³	52.5 ¹⁴	62.1 ¹¹	39.6
	GNP ²³ annual volume growth	1970 1965 to 1970	7.1 5.1	6.1 4.6	3.2 ⁴ 4.6 ⁴	3.1 4.4	7.9 5.0	8.0 7.0	5.4 4.6	6.0 7.0	6.7 1.8	1.5 4.0	5.1 6.0	10.5 12.1	3.5 3.6	5.6 5.2	3.7 4.6	7.5 6.0	6.8 6.5	4.6 ⁴ 3.9 ⁴	4.4 3.8	5.5 7.0	2.0 ⁴ 2.4 ⁴	-0.6 3.2	..
INDICATORS OF LIVING STANDARDS	Private consumption per head	1970	1 090	1 600	2 160	1 960	1 180	1 720	1 650	640 ²	1 520	830 ²	1 090	840 ²	1 660	1 360	1 560	480	650	2 220	1 750 ²	240	1 340	3 010	275 ¹⁸
	Expenditure on education	1969	4.40	5.57	5.65 ¹⁷	6.00 ¹⁸	6.30	4.81	3.00 ¹⁸	2.40 ¹⁸	4.80	4.20	5.80 ¹⁸	4.54 ¹⁷	5.00	6.71	5.81	1.44 ¹⁷	2.14 ¹⁸	7.80 ¹⁸	6.30	3.70	4.15 ¹⁷	5.10	4.59
	Dwellings completed, per 1 000 inhabitants		6.6	5.6 ²¹	9.3	10.1	7.9	8.5	8.2	14.7	7.2	4.3	5.2	11.9	..	8.6	8.6	4.3	8.2	13.7	9.5	3.3	6.9	7.7	6.4
	Passenger cars ²² , per 1 000 inhabitants		152	205	311	210	137	231	215	15	185 ²	130	166	68	250	179	183	42	61	277	209	4	207	426	28 ²
	Television sets, per 1 000 inhabitants		154	196	294	249	198	184	246	5	160	155	150	208	154	207	194	29	162	296	164	1.3	279	409	64
	Telephones, per 1 000 inhabitants		169	190	425	311	215	149	185	87	330	94	143	171	290	226	271	69	113	497	437	13	232	543	31
	Doctors, per 1 000 inhabitants		1.60	1.55	1.14 ¹⁸	1.41 ¹⁸	0.93	1.22 ¹⁸	1.50	1.49	..	1.09	1.79 ²³	1.09 ⁹	1.01	1.18	1.35	0.83 ¹⁸	1.30	1.24	1.31	0.36 ¹⁸	1.18 ¹⁸	1.64	1.10
GROSS FIXED INVESTMENT ²⁴	Total	1966-70 average	27.8	21.2	23.5 ²⁴	23.2	24.6	25.8	25.4	27.2	29.0	21.6	19.8	36.6	24.1	27.4	28.9	18.6	24.8	24.0	27.2	25.6	18.6	16.6 ²⁶	..
	Machinery and equipment	% of GNP	12.0	9.1	9.5	11.8	8.8	11.4	11.4	11.0	8.0	10.5	7.9	30.1 ²⁷	7.0	12.9	14.7	7.6	13.0	8.2	9.5	..	9.2	7.1 ²⁶	..
	Residential construction		15.8 ²⁸	5.1	3.6	4.4	5.6	6.6	5.5	6.7	6.0	3.9	6.2	6.5	4.9	5.3	4.8	3.4	4.2	6.1	6.9	5.3	3.5	3.3	..
	Other construction		— ²⁸	7.0	10.4	7.0	10.2	7.9	8.5 ²⁹	9.9	15.0	7.3	5.6	— ²⁷	12.2	9.2	9.4	7.6	7.7	9.7	10.8	..	5.9	6.1	..
GROSS SAVING		1966-70 average	28.3	23.5	24.7	18.9	28.5	26.5	26.9	21.0 ⁴⁹	..	19.8 ⁴⁹	23.4	38.7	28.1 ³⁵	26.8	28.5	..	22.7	23.1	28.4 ⁴⁰	18.6 ⁴⁰	18.5	17.9	..
PUBLIC SECTOR ³⁰	Total current revenue	1970	35.9	34.7	35.5	37.5 ²	36.4	38.1 ²	37.6	26.9 ²	33.8 ¹⁸	31.4 ²	32.3	21.2 ²	34.8 ¹⁸	43.5	44.3	..	22.5	55.3 ³¹	28.0 ²	19.5 ²	39.0 ²	29.6	32.6 ¹⁸
WAGES/PRICES	Hourly earnings ³²	Annual increase 1965 to 70	8.2 ³³	8.2	7.3 ³⁴	10.9 ³⁵	8.4	9.2 ³⁶	7.4	9.5 ³⁴	13.5 ³⁷	10.8 ³⁴	8.2 ³⁸	14.7 ³⁹	..	8.9 ⁴⁰	8.8 ⁴¹	9.7 ³³	12.8 ⁴²	8.9 ⁴³	5.2 ⁴⁴	..	6.7 ⁴⁵	5.3 ³⁴	..
	Consumer prices		3.2	3.5	3.9	6.4	4.7	4.3	2.7	2.5	12.9	5.3	2.9	5.5	3.0	4.9	4.9	6.4	5.1	4.4	3.5	8.1	4.6	4.2	10.6
	GNP deflator		3.3	3.4	4.1	6.3	5.6	4.8	3.4	2.6	12.4	5.8	3.4	4.7	4.9	4.8	5.0	4.8	5.1	4.3	4.0	5.5	4.6	4.0	..
FOREIGN TRADE	Imports ⁴⁶	1970	4 350	11 680	15 800 ¹⁸	5 000	3 130	24 580	40 270	1 930 ²	230	1 730	18 170	20 920	810	16 700	5 000	1 910	5 500	6 080 ¹⁸	6 280 ²	1 120	28 250	59 310	1 991 ⁹
	% of GNP		30.3	45.1	25.3	32.1	30.6	16.6	21.5	23.0	48.3	44.5	19.6	10.6	81.1	53.4	43.9	30.6	17.1	23.8	33.4	8.9	23.3	6.0	21.0 ⁹
	Exports ⁴⁶		4 390	12 470	15 490 ¹⁸	4 540	2 900	25 140	43 270	1 090 ²	240	1 530	18 790	23 110	880	16 310	4 830	1 540	4 940	5 920 ¹⁸	7 120 ²	940	30 520	62 900	1 875 ⁹
	% of GNP		30.5	48.2	24.8	29.1	28.3	17.0	23.1	12.9	50.0	39.3	20.2	11.7	88.0	52.2	42.4	24.6	15.3	23.1	37.8	7.5	25.2	6.4	19.7 ⁹
BALANCE OF PAYMENTS	Current balance	1966-70 average	-0.5	1.7 ²¹	-0.3	-2.6	-1.2	-0.4	1.0	-3.6	-5.7	-2.9	2.5	0.9	—	-0.6	-0.5	2.5	-1.2	-0.6	1.6	-1.5	0.2	0.1	..
	Official reserves ⁴⁷ , end-1970: per cent of a year's imports ⁴⁸		49.5	25.1 ²¹	35.2	11.1	18.2	26.0	45.6	19.9 ²	34.6	44.3	35.5	25.6	—	24.2	21.8	96.2	38.2	10.9	72.7	48.5	13.0	36.3	6.4
	Change	May 1971 - May 1972	596	257 ²¹	1 169	393	324	2 825	866	380	8	260	603	8 916	—	760	288	..	..	423	1 257	..	4 387	-466	..
NET FLOW OF RESOURCES TO DEVELOPING COUNTRIES ⁵⁰		1971	0.56	1.03	0.82	0.80	— ⁵¹	1.02	0.88	— ⁵²	— ⁵¹	— ⁵¹	0.85	0.96	— ⁵¹	1.63	0.51	1.56	— ⁵²	0.69	[0.93]	— ⁵²	1.14	0.67	— ⁵²
EXPORT PERFORMANCE ⁵³	Growth of markets ⁵⁴	1970 to 1971	10.7	12.2	16.5	10.9	10.1	10.6	11.4	11.1	..	14.6	12.4	13.8	—	11.9	10.8	7.8	11.9	10.6	10.9	11.6	11.5	11.5	..
	1960 to 1970 (average)		11.1	11.2	13.4	9.9	10.2	9.1	10.5	11.2	..	7.5	10.5	9.7	—	10.7	9.8	10.7	10.2	10.1	10.8	4.7	9.5	9.5	..
	Gains or losses of market shares ⁵⁵	1970 to 1971	-0.8	-6.1 ²¹	-5.7	-1.0	-7.9	3.8	2.8	-8.0	..	11.9	2.3	10.5	—	7.2	-6.3	1.4	11.2	-0.9	1.3	3.3	3.0	-8.7	..
	1960 to 1970 (average)		-1.6	1.0 ²¹	-2.0	-1.3	-1.6	0.8	0.9	0.9	..	0.9	3.2	7.8	—	0.5	1.3	1.0	2.7	-0.1	-0.2	1.3	-3.2	-1.8	..

1 Does not include total net migration between Finland and the other Nordic countries.
2 1969.
3 30-6-1970.
4 GDP in purchasers' values.
5 Socialised sector.
6 30-6-60 - 30-6-70.
7 According to the definition used in OECD Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
8 At current prices and exchange rates.
9 1967.
10 The estimates for GDP by sector for Switzerland have been published in "la Vie économique", November 1969.
11 GDP at market prices.
12 Net domestic product.
13 Electricity, gas and water works included in "other activities".
14 Including stock appreciation.
15 National source.
16 1962-1967.
17 1965.
18 1968.
19 1966.
20 1964.
21 Including Luxembourg.
22 1970.
23 At constant (1963) prices.
24 Excluding transfer costs of land and existing assets.
25 1964-1968.
26 Government and government enterprise expenditure on machinery and equipment is included in government current expenditure.
27 "Other construction" included under "machinery and equipment".
28 Work in progress on heavy equipment and ships for the domestic market are included in fixed asset formation.
29 "Other construction" included in "residential construction".
30 Including transfer costs of land.
31 General government.
32 Including depreciation.
33 Industry.
34 Monthly.
35 Manufacturing.
36 Including bonuses.
37 Hourly rates in manufacturing.
38 Hourly wages rates, unskilled workers.
39 Hourly rates in manufacturing, excluding family allowances.
40 Monthly earnings in manufacturing. Cash payments including bonuses, regular workers.
41 Hourly rates in industry, males.
42 Males.
43 Excluding family allowances.
44 Mining and manufacturing, males.
45 Hourly rates.
46 Hourly rates in manufacturing, males.
47 Goods and services, including factor income.
48 Including reserve position in the IMF and special drawing rights.
49 Imports of goods in 1970.
50 According to the DAC definition. Including flows to multilateral agencies and grants by voluntary agencies.
51 Not Development Assistance Committee members.
52 Considered as a developing country for purposes of DAC reporting.
53 Values, percentage change. Figures are subject to many limiting factors. For an explanation see OECD Economic Outlook, simple definition, December 1970, pp. 65 and 69.
54 The growth which would have occurred in a country's exports if it had exactly maintained its share in total OECD exports to each of 19 broad geographical zones.
55 The difference between the growth rates of markets and exports.

NOTE: Figures within brackets are estimates by the OECD Secretariat.
Sources: Common to all subjects and countries, except Yugoslavia (for special national sources see above): OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Balance of Payments, Observer, DAC and Statistics of Foreign Trade (Series A). Office Statistique des Communautés Européennes, Statistiques de base de la Communauté. IMF, International Financial Statistics.

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